



Dave Yost • Auditor of State



REED TOWNSHIP  
SENECA COUNTY

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# Dave Yost • Auditor of State

Reed Township  
Seneca County  
2776 County Road 27  
Bellevue, Ohio 44811-9575

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Dave Yost**  
Auditor of State

August 2, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Reed Township  
Seneca County  
2776 County Road 27  
Bellevue, Ohio 44811-9575

To the Board of Trustees:

We have audited the accompanying financial statements of Reed Township, Seneca County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Reed Township, Seneca County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 2, 2011



**REED TOWNSHIP  
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$18,959	\$34,873		\$53,832
Charges for Services		1,750		1,750
Intergovernmental	34,243	114,330	\$22,846	171,419
Earnings on Investments	416	123		539
	<u>53,618</u>	<u>151,076</u>	<u>22,846</u>	<u>227,540</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	65,182			65,182
Public Safety	515			515
Public Works		141,611		141,611
Health	4,904	2,518		7,422
Capital Outlay		2,541	22,846	25,387
	<u>70,601</u>	<u>146,670</u>	<u>22,846</u>	<u>240,117</u>
Total Receipts Over/(Under) Disbursements	<u>(16,983)</u>	<u>4,406</u>		<u>(12,577)</u>
<b>Other Financing Receipts:</b>				
Other Financing Sources	<u>52</u>			<u>52</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(16,931)	4,406		(12,525)
Fund Cash Balances, January 1	<u>95,426</u>	<u>89,708</u>	<u>1,957</u>	<u>187,091</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$78,495</u></b>	<b><u>\$94,114</u></b>	<b><u>\$1,957</u></b>	<b><u>\$174,566</u></b>

*The notes to the financial statements are an integral part of this statement.*

**REED TOWNSHIP  
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$18,984	\$35,124		\$54,108
Charges for Services		700		700
Intergovernmental	104,881	114,749	\$26,965	246,595
Earnings on Investments	893	353		1,246
Miscellaneous	1,024	400		1,424
	<u>125,782</u>	<u>151,326</u>	<u>26,965</u>	<u>304,073</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	70,594	700		71,294
Public Safety	2,347			2,347
Public Works		89,750		89,750
Health	2,242	1,162		3,404
Capital Outlay	75	131,303	46,883	178,261
	<u>75,258</u>	<u>222,915</u>	<u>46,883</u>	<u>345,056</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>50,524</u>	<u>(71,589)</u>	<u>(19,918)</u>	<u>(40,983)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Gifts and Donations		22,106		22,106
Sale of Capital Assets	10,080			10,080
Transfers-In		74,576	19,918	94,494
Transfers-Out	(94,494)			(94,494)
Other Financing Sources	19	2,268		2,287
Other Financing Uses	(2,268)			(2,268)
	<u>(86,663)</u>	<u>98,950</u>	<u>19,918</u>	<u>32,205</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(36,139)</u>	<u>27,361</u>		<u>(8,778)</u>
<b>Fund Cash Balances, January 1</b>	<u>131,565</u>	<u>62,347</u>	<u>1,957</u>	<u>195,869</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$95,426</b></u>	<u><b>\$89,708</b></u>	<u><b>\$1,957</b></u>	<u><b>\$187,091</b></u>

*The notes to the financial statements are an integral part of this statement.*

**REED TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Reed Township, Seneca County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Fund Accounting**

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant special revenue funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**3. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following capital project fund:

**REED TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

Public Works Project Fund - The Township received Issue I monies from the County and Ohio Public Works Commission for maintaining and repairing Township roads.

**D. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits**

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	<u>\$174,566</u>	<u>\$187,091</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**REED TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,841	\$53,670	(\$61,171)
Special Revenue	199,819	151,076	(48,743)
Capital Projects	19,918	22,846	2,928
Total	\$334,578	\$227,592	(\$106,986)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,922	\$70,601	\$47,321
Special Revenue	251,362	146,670	104,692
Capital Projects	1,957	22,846	(20,889)
Total	\$371,241	\$240,117	\$131,124

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,387	\$135,881	\$26,494
Special Revenue	199,812	250,276	50,464
Capital Projects	19,918	46,883	26,965
Total	\$329,117	\$433,040	\$103,923

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$127,543	\$172,020	(\$44,477)
Special Revenue	188,882	222,915	(34,033)
Capital Projects	32,017	46,883	(14,866)
Total	\$348,442	\$441,818	(\$93,376)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Public Works Project Fund by \$22,846 for the year ended December 31, 2010 and in the General Fund by \$44,477; Road and Bridge Fund by \$75,066; and Public Works Project Fund by \$16,823 for the year ended December 31, 2009.

**REED TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. Retirement System**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**6. Risk Management**

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**REED TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Risk Management (Continued)**

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009, and include amounts for both OPRM and OPHC:

	<b>2010</b>		<b>2009</b>	
	<b>OPRM</b>	<b>OPHC</b>	<b>OPRM</b>	<b>OPHC</b>
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Reed Township  
Seneca County  
2776 County Road 27  
Bellevue, Ohio 44811-9575

To the Board of Trustees:

We have audited the financial statements of Reed Township, Seneca County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 2, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this Township, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-003 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 2, 2011.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

August 2, 2011

REED TOWNSHIP  
SENECA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2010-001

**Noncompliance Citation**

**Ohio Revised Code, § 5705.41(D)(1)**, states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Sixty percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred nor a Then and Now Certificate utilized. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Board did not pass a resolution establishing limit amounts for regular blanket certificates.

**FINDING NUMBER 2010-001  
 (Continued)**

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of the Township funds being over expended or exceeding budgetary spending limitations as set by the Board. The Board should establish a limit for the blanket certificates by resolution. In addition, to improve controls over disbursements, we recommend all the Board disbursements receive prior certification from the Fiscal Officer and the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Fiscal Officer and recorded against appropriations.

**Officials' Response:**

1. **“Then and Now” Certificate:** The Board of Trustees will henceforth pass a Resolution approving the Purchase Order for any amount over \$3,000 even though it is always the Board that passes the motion to make the purchase in the first place. The Fiscal Officer does not make any purchases, other than minor office supplies or postage, without Board prior approval. Purchase orders will henceforth be dated prior to the actual date of the invoice, giving an estimated cost when the actual, final cost will not be known until the invoice is received. The Fiscal Officer will certify funds on the “Then” certificate and also on the “Now” certificate. All funds are currently certified at the time the Certificate is drawn.
2. **Blanket Certificates:** The Board of Trustees will henceforth pass a Resolution establishing limits on amounts that Blanket Certificates may be drawn for against any line item account.
3. **Super Blanket Certificates:** The Fiscal Officer will henceforth require the Board of Trustees to review all expenditures, whether assigned to Purchase Orders, Blanket Certificates or Super Blanket Certificates, to determine the amounts certified by the Fiscal Officer do not exceed the amount of the line item account it is drawn on. The Fiscal Officer is not aware of any instance where the amount certified exceeded the available funds in a particular line item.

**FINDING NUMBER 2010-002**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.41(B)**, prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Revised Code.

During our compliance testing we found instances of supplemental appropriations posted to the appropriation ledger; however, there was no evidence the Board adopted a formal resolution approving these supplemental appropriations. This caused certain expenditures to exceed appropriations in 2010 and 2009. Noncompliance was found in the following funds:

Fund	Appropriations	Expenditures	Variance
<b>2010</b>			
Public Works Project Fund		\$22,846	(\$22,846)
<b>2009</b>			
General Fund	\$127,543	\$172,020	(\$44,477)
Road and Bridge Fund	39,800	114,866	(75,066)
Public Works Project Fund	30,060	46,883	(16,823)

**FINDING NUMBER 2010-002  
(Continued)**

The Township's management was advised that failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds and deny payment requests exceeding appropriations. The Fiscal Officer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Officials' Response:**

The Board of Trustees will henceforth adopt a Resolution approving each instance of a Supplemental Appropriation, instead of the current method of approving only the Amended Certificate when it is sent to the county auditor.

Any money from the General Fund used to pay expenses for any other Fund, will first be transferred to that other Fund, instead of being paid directly from the General Fund. The Board does currently approve each transfer of money from one line item to another, within a specific Fund.

**FINDING NUMBER 2010-003**

**Material Weakness**

**Financial Reporting**

As a result of the audit procedures performed, errors were noted in the financial statements that required audit adjustments. In 2010, Road and Bridge Fund Homestead/Rollback (\$4,442) and Tangible Personal Property (\$147) were recorded in the General Fund.

In 2009, Estate Tax (\$32,493) was recorded in the Road and Bridge Fund instead of the General Fund. Road and Bridge Homestead/Rollback (\$4,448) was recorded in the General Fund. Motor Vehicle License Tax (\$1,658) was recorded in the General Fund.

Also, as a result of the audit procedures performed, errors were noted in the financial statements that required audit reclassifications. In 2010, HB66 Personal Property Tax reimbursement (General Fund \$2,304 and Road and Bridge Fund \$3,544) was recorded in Taxes instead of Intergovernmental Revenues.

In 2009, the Sale of Capital Assets (General Fund \$10,080) and Miscellaneous revenues (General Fund \$1,024) were recorded as Other Financing Sources. The purchase of a truck (General Fund \$68,450) was recorded under Health (other expenses) instead of Capital Outlay. Homestead/Rollback (General Fund \$3,634) was recorded as Other Financing Sources instead of Intergovernmental Revenue. HB66 Personal Property Tax reimbursement (Road and Bridge Fund \$541) was recorded as Taxes instead of Intergovernmental revenues. Cemetery Expendable Trust (Cemetery Fund \$22,106) was recorded as Special Items instead of Gifts and Donations.

The accompanying financial statements and the Township's accounting system have been adjusted to correct these errors.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

**FINDING NUMBER 2010-003  
(Continued)**

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board, to identify and correct errors and omissions. The Fiscal Officer should also review the Township Handbook's chart of accounts to ensure all accounts are being properly recorded to the financial statements.

**Officials' Response:**

All amounts mistakenly posted to the wrong accounts have been adjusted accordingly, per the Auditor's recommendations.

**REED TOWNSHIP  
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Noncompliance citation – ORC 5705.41(D)(1) failure to certify expenditures.	No	Not Corrected. Repeated as Finding 2010-001 in this report.
2008-002	Noncompliance citation – ORC 5705.41(B) failure to have adequate appropriations.	No	Not Corrected. Repeated as Finding 2010-002 in this report.
2008-003	Material Weakness Financial Reporting	No	Not Corrected. Repeated as Finding 2010-003 in this report.

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# Dave Yost • Auditor of State

**REED TOWNSHIP**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 16, 2011**