



Dave Yost • Auditor of State



REED TOWNSHIP  
SENECA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Reed Township, Seneca County, Ohio, (the Township) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Reed Township, Seneca County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 8, 2015

**REED TOWNSHIP  
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$26,006	\$45,544		\$71,550
Charges for Services		900		900
Intergovernmental	18,691	111,318	\$28,823	158,832
Earnings on Investments	46	45		91
Miscellaneous	908			908
<i>Total Cash Receipts</i>	<u>45,651</u>	<u>157,807</u>	<u>28,823</u>	<u>232,281</u>
<b>Cash Disbursements</b>				
Current:				
General Government	74,019			74,019
Public Safety	595			595
Public Works		114,602		114,602
Health	6,685	1,236		7,921
Capital Outlay	4,412	5,000	28,823	38,235
<i>Total Cash Disbursements</i>	<u>85,711</u>	<u>120,838</u>	<u>28,823</u>	<u>235,372</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(40,060)</u>	<u>36,969</u>		<u>(3,091)</u>
<b>Other Financing Receipts</b>				
Other Financing Sources	87			87
<i>Net Change in Fund Cash Balances</i>	<u>(39,973)</u>	<u>36,969</u>		<u>(3,004)</u>
<i>Fund Cash Balances, January 1</i>	<u>70,138</u>	<u>78,821</u>	<u>1,957</u>	<u>150,916</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		101,930		101,930
Committed		13,860		13,860
Assigned	30,165		1,957	32,122
<i>Fund Cash Balances, December 31</i>	<u>\$30,165</u>	<u>\$115,790</u>	<u>\$1,957</u>	<u>\$147,912</u>

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

**REED TOWNSHIP  
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$25,258	\$44,561		\$69,819
Charges for Services		900		900
Intergovernmental	81,103	107,014	\$30,021	218,138
Earnings on Investments	151	53		204
Miscellaneous	1,371			1,371
<i>Total Cash Receipts</i>	<u>107,883</u>	<u>152,528</u>	<u>30,021</u>	<u>290,432</u>
<b>Cash Disbursements</b>				
Current:				
General Government	179,153			179,153
Public Safety	1,002			1,002
Public Works		110,200		110,200
Health	3,385	1,848		5,233
Capital Outlay		74,427	30,021	104,448
<i>Total Cash Disbursements</i>	<u>183,540</u>	<u>186,475</u>	<u>30,021</u>	<u>400,036</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(75,657)</u>	<u>(33,947)</u>		<u>(109,604)</u>
<b>Other Financing Receipts</b>				
Sale of Capital Assets	17,500			17,500
Other Financing Sources	56			56
<i>Total Other Financing Receipts</i>	<u>17,556</u>			<u>17,556</u>
<i>Net Change in Fund Cash Balances</i>	<u>(58,101)</u>	<u>(33,947)</u>		<u>(92,048)</u>
<i>Fund Cash Balances, January 1</i>	<u>128,239</u>	<u>112,768</u>	<u>1,957</u>	<u>242,964</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		68,041		68,041
Committed		10,780		10,780
Assigned	70,138		1,957	72,095
<i>Fund Cash Balances, December 31</i>	<u>\$70,138</u>	<u>\$78,821</u>	<u>\$1,957</u>	<u>\$150,916</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, 2014 AND 2013**

**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 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, cemetery maintenance, fire protection and emergency medical services.

The Township participates in two jointly governed organizations and a public entity risk pool. Notes 6 and 8 to the financial statements provide additional information on these entities. These organizations are:

**Public Entity Risk Pool:**

Ohio Plan Risk Management, Inc. (OPRM) - a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments.

**Jointly Governed Organizations:**

AVR Joint Ambulance District – A joint ambulance district formed by the Village of Attica, Venice Township, and Reed Township to provide EMS services.

AVR Joint Fire District – A joint fire district formed by the Village of Attica, Venice Township, and Reed Township to provide fire protection services.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**REED TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Public Works Project Fund - The Township received Issue II monies from the State of Ohio for the 2014 and 2013 road programs.

**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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**REED TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**E. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**REED TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**F. 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.

**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:

	2014	2013
Demand deposits	\$147,912	\$150,916

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

**2014 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,197	\$45,738	\$541
Special Revenue	154,360	157,807	3,447
Capital Projects	28,823	28,823	
Total	\$228,380	\$232,368	\$3,988

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,150	\$86,505	\$30,645
Special Revenue	213,250	121,936	91,314
Capital Projects	30,780	28,823	1,957
Total	\$361,180	\$237,264	\$123,916

**2013 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$132,108	\$125,439	(\$6,669)
Special Revenue	164,170	152,528	(11,642)
Capital Projects	30,021	30,021	
Total	\$326,299	\$307,988	(\$18,311)

**REED TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity – (Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,934	\$183,540	(\$8,606)
Special Revenue	201,278	186,475	14,803
Capital Projects	31,978	30,021	1,957
Total	\$408,190	\$400,036	\$8,154

**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.

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 2014 and 2013, 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, 2014.

**6. Risk Management**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

**REED TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. Risk Management – (Continued)**

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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 equity at December 31, 2013 and 2014.

	<b>2013</b>	<b>2014</b>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members’ Equity	\$5,805,909	\$5,887,681

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

**7. Other Commitments**

Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At December 31, 2014, the Township’s commitments for encumbrances in the governmental funds were as follows:

	Year-End
Fund	Encumbrances
General fund	\$ 794
Special Revenue funds	1,098
Total	\$ 1,892

**REED TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. Jointly Governed Organizations**

The AVR Joint Fire District is a jointly governed organization. The Village of Attica, Venice Township and Reed Township appoint members to sit on the Fire District Board. The Fire District provides fire protection services within the District.

The AVR Joint Ambulance District is a jointly governed organization. The Village of Attica, Venice Township and Reed Township appoint members to sit on the Ambulance District Board. The Ambulance District provides EMS services within the District.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Reed Township, Seneca County, Ohio, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated December 8, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2104-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

***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, opining 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 no instance of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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  
Columbus, Ohio

December 8, 2015

**REED TOWNSHIP  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness**

**Bank Reconciliations**

Bank reconciliations should be performed monthly and reviewed and approved by someone other than the preparer. The Fiscal Officer attempted to reconcile the bank account(s) each month but did not investigate and correct variances between the bank balance and the book balance in 2014 and 2013. In addition, the Board did not review and approve the bank reconciliations. We noted the following errors at December 31, 2014 and 2013:

Failure to complete accurate bank reconciliations resulted in the following audit adjustments:

	<b>Original</b>	<b>Corrected</b>	
<b>Reconciliation as of December 31, 2014:</b>	<b>Reconciliation</b>	<b>Reconciliation</b>	<b>Variance</b>
Outstanding checks	\$ (4,567.31)	\$ (3,009.40)	\$ 1,557.91
Deposit in Transit	85.46	-	(85.46)
Undetermined, not found	3,337.29	-	(3,337.29)
Receipts posted but not deposited	-	5,682.73	5,682.73
Receipts in bank but not posted	-	(5,428.56)	(5,428.56)
IRS payments cleared bank not posted	-	1,052.17	1,052.17
Receipted to correct prior year errors	-	295.93	295.93
Errors when posting checks	-	(9.82)	(9.82)
Receipt posted twice	-	70.85	70.85
Stop payment charge not posted	-	30.00	30.00
Various errors	-	171.54	171.54
	<u>\$ (1,144.56)</u>	<u>\$ (1,144.56)</u>	<u>\$ (0.00)</u>

	<b>Original</b>	<b>Corrected</b>	
<b>Reconciliation as of December 31, 2013:</b>	<b>Reconciliation</b>	<b>Reconciliation</b>	<b>Variance</b>
Outstanding checks	\$ (6,628.33)	\$ (5,384.49)	\$ 1,243.84
Undetermined, not found	6,195.72	-	(6,195.72)
Receipts posted but not deposited	676.96	5,530.92	4,853.96
Receipts in bank but not posted	-	(815.00)	(815.00)
IRS payments cleared bank not posted	-	427.07	427.07
Receipted to correct prior year errors	-	295.93	295.93
Errors when posting checks	-	(11.62)	(11.62)
Stop payment charge not posted	-	30.00	30.00
Various errors	-	171.54	171.54
	<u>\$ 244.35</u>	<u>\$ 244.35</u>	<u>\$ (0.00)</u>

These errors were a result of inadequate policies and procedures in reviewing the bank reconciliations. The accompanying financial statements and accounting records have been adjusted to correct these errors. We recommend the Township prepare accurate reconciliations and include supporting documentation for the reconciling items to ensure the reviewer has an accurate understanding of those items. We further recommend the Fiscal Officer provide the Board with the monthly bank reconciliations for their review and approval. In addition, there should be documentation of Board approvals.

## FINDING NUMBER 2014-002

### Material Weakness

#### Financial Reporting

The Township's management is responsible for the fair presentation of the financial statements. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources and budget vs. actual information included in the budgetary note should agree to the approved budget and actual receipts and disbursements. Errors were noted in the financial statements resulting in thirty six audit adjustments ranging in amounts from \$18 to \$85,790. The most significant adjustments were as follows:

- General fund balance of \$70,138 was improperly accounted for as restricted rather than assigned in 2013;
- Subsequent year appropriations over estimated receipts plus encumbrances within the General fund of \$30,165 were improperly accounted for as restricted rather than assigned in 2014;
- Motor Vehicle License Tax fund balance was improperly accounted for as committed rather than restricted in the amount of \$11,429 in 2014 and \$8,704 in 2013;
- Sale of capital assets of \$17,500 were recorded as other financing sources in the General Fund in 2013;
- Intergovernmental revenues in the General Fund in the amount of \$2,395 in 2014 and \$6,496 in 2013 and in the Road and Bridge Fund in the amount of \$3,615 in 2014 and \$2,694 in 2013 were improperly accounted for as Taxes;
- General fund budgeted expenditures reported on the budgetary note exceeded the final appropriation resolution in 2013 by \$85,790;
- General fund actual expenditures reported on the budgetary note exceeded total disbursements plus outstanding encumbrances at year end in the general fund by \$74,395 and in the special revenue funds by \$78,302 in 2013;
- Special revenue fund type budgeted revenue did not agree to the final amended certificate of estimated resources in 2014 resulting in budgeted revenue being understated by \$13,405 in 2014 and overstated in 2013 by \$30,622; and
- Budgeted expenditures exceeded the final appropriation resolution in the special revenue funds in 2013 by \$76,061 and were lower than the final appropriation resolution in the capital project funds in 2014 by \$1,957 and in 2013 by \$1,957.

Additional audit adjustments were made in smaller relative amounts. These errors were a result of inadequate policies and procedures in reviewing the financial statements. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors. 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 annual report by the Fiscal Officer and the Board to identify and correct errors, omissions, and misclassifications.

#### Officials' Response:

We did not receive a response from Officials to the findings reported above.

REED TOWNSHIP  
SENECA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Material weakness over financial reporting due to errors noted in the financial statements.	No	Not Corrected. Repeated as Finding # 2014-002 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  
DECEMBER 29, 2015