



OHIO AUDITOR OF STATE
KEITH FABER



REED TOWNSHIP
SENECA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Reed Township
Seneca County
14616 East Township Road 8
Attica, Ohio 44807

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Reed Township, Seneca County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

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 such 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 opinions.

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

As described in Note 2 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, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Reed Township, Seneca County, Ohio as of December 31, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

February 11, 2020

Reed Township
Seneca County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$33,798	\$61,393		\$95,191
Intergovernmental	27,384	116,720		144,104
Earnings on Investments	99	77		176
Miscellaneous	1,684	550		2,234
<i>Total Cash Receipts</i>	<u>62,965</u>	<u>178,740</u>		<u>241,705</u>
Cash Disbursements				
Current:				
General Government	62,964			62,964
Public Safety	936			936
Public Works		163,605		163,605
Health	2,425	706		3,131
Capital Outlay		1,469		1,469
<i>Total Cash Disbursements</i>	<u>66,325</u>	<u>165,780</u>		<u>232,105</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,360)</u>	<u>12,960</u>		<u>9,600</u>
Other Financing Receipts				
Other Financing Sources	213			213
<i>Net Change in Fund Cash Balances</i>	(3,147)	12,960		9,813
<i>Fund Cash Balances, January 1</i>	<u>47,767</u>	<u>287,222</u>	<u>\$1,602</u>	<u>336,591</u>
Fund Cash Balances, December 31				
Restricted		159,792		159,792
Committed		140,390		140,390
Assigned	44,620		1,602	46,222
<i>Fund Cash Balances, December 31</i>	<u>\$44,620</u>	<u>\$300,182</u>	<u>\$1,602</u>	<u>\$346,404</u>

See accompanying notes to the financial statements

Reed Township
Seneca County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting 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, and general government services.

Public Entity Risk Pool and Jointly Governed Organizations

The Township participates in a public entity risk pool and two jointly governed organizations. Notes 6 and 9 to the financial statements, respectively, provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 capital projects. The Township had the following significant Special Revenue Fund:

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Capital Project Funds These funds account for and report financial resources that are 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:

Miscellaneous Capital Projects Fund The miscellaneous capital projects fund previously received earnings on investment to be used for capital projects.

Reed Township
Seneca County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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.

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.

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 2018 budgetary activity appears in Note 3.

Capital Assets

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

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:

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

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.

Reed Township
Seneca County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,937	\$63,178	(\$1,759)
Special Revenue	178,061	178,740	679
Total	\$242,998	\$241,918	(\$1,080)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$106,937	\$66,487	\$40,450
Special Revenue	447,789	170,184	277,605
Total	\$554,726	\$236,671	\$318,055

Note 4 – Deposits

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

Reed Township
Seneca County
Notes to the Financial Statements
For the Year Ended December 31, 2018

	2018
Demand deposits	<u>\$346,404</u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Note 5 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 – Risk Management

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 Rev. 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.

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Reed Township
Seneca County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Jointly Governed Organizations

AVR Fire District

The Village of Attica, Venice Township and Reed Township each appoint one member to the Board of Trustees of AVR Fire District (the Fire District). The Fire District provides fire protection and rescue services within the Fire District and by contract to areas outside the Fire District. The Township contributed \$0 to the Fire District during 2018.

AVR Joint Ambulance District

The Village of Attica, Venice Township and Reed Township each appoint one member to the Board of Trustees of AVR Joint Ambulance District (the Ambulance District). The Ambulance District provides emergency medical services within the Ambulance District. The Township contributed \$0 to the Ambulance District during 2018.

Note 10 – Compliance

Contrary to Ohio law, the Fiscal Officer posted receipts to the improper funds.

Reed Township
Seneca County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$41,206	\$69,216		\$110,422
Charges for Services		1,800		1,800
Licenses, Permits and Fees		542		542
Intergovernmental	32,682	114,608		147,290
Earnings on Investments	97	68		165
<i>Total Cash Receipts</i>	<u>73,985</u>	<u>186,234</u>		<u>260,219</u>
Cash Disbursements				
Current:				
General Government	67,786			67,786
Public Safety	1,500			1,500
Public Works		116,906		116,906
Health	4,021	1,076		5,097
Other		2,500		2,500
<i>Total Cash Disbursements</i>	<u>73,307</u>	<u>120,482</u>		<u>193,789</u>
<i>Net Change in Fund Cash Balances</i>	678	65,752		66,430
<i>Fund Cash Balances, January 1</i>	<u>47,089</u>	<u>221,470</u>	<u>\$1,602</u>	<u>270,161</u>
Fund Cash Balances, December 31				
Restricted		199,029		199,029
Committed		88,193		88,193
Assigned	42,000		1,602	43,602
Unassigned	5,767			5,767
<i>Fund Cash Balances, December 31</i>	<u>\$47,767</u>	<u>\$287,222</u>	<u>\$1,602</u>	<u>\$336,591</u>

See accompanying notes to the financial statements

Reed Township
Seneca County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting 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, and general government services.

Public Entity Risk Pool and Jointly Governed Organizations

The Township participates in a public entity risk pool and two jointly governed organizations. Notes 6 and 9 to the financial statements, respectively, provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 capital projects. The Township had the following significant Special Revenue Fund:

Road and Bridge Fund The road and bridge fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Capital Project Funds These funds account for and report financial resources that are 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:

Miscellaneous Capital Projects Fund The miscellaneous capital projects fund previously received earnings on investment to be used for capital projects.

Reed Township
Seneca County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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. Appropriations lapse at year end.

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

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.

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

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

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:

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

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.

Reed Township
Seneca County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,190	\$73,985	\$9,795
Special Revenue	178,012	186,234	8,222
Total	\$242,202	\$260,219	\$18,017

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$114,543	\$73,307	\$41,236
Special Revenue	329,711	120,482	209,229
Total	\$444,254	\$193,789	\$250,465

Note 4 – Deposits

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

Reed Township
Seneca County
Notes to the Financial Statements
For the Year Ended December 31, 2017

	2017
Demand deposits	<u>\$336,591</u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Note 5 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 – Risk Management

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 Rev. 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.

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

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.

Reed Township
Seneca County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

Note 9 – Jointly Governed Organizations

AVR Fire District

The Village of Attica, Venice Township and Reed Township each appoint one member to the Board of Trustees of AVR Fire District (the Fire District). The Fire District provides fire protection and rescue services within the Fire District and by contract to areas outside the Fire District. The Township contributed \$0 to the Fire District during 2018.

AVR Joint Ambulance District

The Village of Attica, Venice Township and Reed Township each appoint one member to the Board of Trustees of AVR Joint Ambulance District (the Ambulance District). The Ambulance District provides emergency medical services within the Ambulance District. The Township contributed \$0 to the Ambulance District during 2018.

Reed Township
Seneca County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Compliance

Contrary to Ohio law, the Fiscal Officer posted receipts to the improper funds.

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OHIO AUDITOR OF STATE KEITH FABER



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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
14616 East Township Road 8
Attica, Ohio 44807

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 the cash balances, receipts, and disbursements by fund type of Reed Township, Seneca County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 11, 2020 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 opinions 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 a material weakness and a significant deficiency.

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. We consider finding 2018-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2018-002 described in the accompanying schedule of findings to be a significant deficiency.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2018-002.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 11, 2020

**REED TOWNSHIP
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018 were identified:

- Special Revenue Fund Type budgeted receipts, actual receipts, appropriation authority, and budgetary expenditures were increased in the amounts of \$178,061, \$178,740, \$447,789, and \$170,184, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with budgeted and actual amounts;
- Special Revenue Fund Type committed fund balance in the amount of \$29,974 was reclassified to restricted in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Capital Projects Fund Type restricted fund balance in the amount of \$1,602 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179).

Also identified were the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- General Fund intergovernmental receipts in the amount of \$14,040 were incorrectly classified as property and other local taxes receipts;
- General Fund actual receipts were increased in the amount of \$73,985 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the actual amount;
- General Fund restricted fund balance in the amount of \$49,182 was reclassified to assigned (\$42,000) and unassigned (\$7,182) in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- Special Revenue Fund Type committed fund balance in the amount of \$31,735 was reclassified to restricted in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Capital Projects Fund Type restricted fund balance in the amount of \$1,602 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179).

**FINDING NUMBER 2018-001
 (CONTINUED)**

These errors were not identified and corrected prior to the Township preparing its financial statements and notes the financial statements due to deficiencies in the Township’s internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2018 and 2017.

To help ensure the Township’s financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Board of Trustees to help identify and correct errors and omissions. The Fiscal Officer can refer to the Ohio Township Handbook at the following website address for guidance on the recording of transactions:

<http://www.ohioauditor.gov/publications/TownshipHandbook%202-27-19.pdf>

The Fiscal Officer can also refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

FINDING NUMBER 2018-002

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code § 5705.10(C) provides that “all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.”

Ohio Rev. Code § 5705.10(D) provides in part that “all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.”

The Township inappropriately recorded rollbacks, local government distributions, permissive motor vehicle license tax, and excess IRP receipts during the years ended December 31, 2018 and 2017. Given the sources of the revenues, these should have been recorded in different funds. The following table illustrates the errors in posting. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatements.

Fund Type / Fund	2018 Posting Errors	2017 Posting Errors
General Fund	\$520	(\$1,415)
Special Revenue Fund Type:		
Motor Vehicle License Tax Fund	551	
Road and Bridge Fund	(1,488)	1,415
Permissive Motor Vehicle License Tax Fund	417	

**FINDING NUMBER 2018-002
(CONTINUED)**

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Posting receipts to improper funds could lead to monies being used for unallowable purposes. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

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

REED TOWNSHIP
SENECA COUNTY
2855 County Road 27
Bellevue, Ohio 44811

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding was first reported during the audit of the 2005 financial statement. Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2018-001 in this report.	The Township declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.
2016-002	Noncompliance and material weakness over Ohio Rev. Code § 5705.10(C) and Ohio Rev. Code § 5705.10(D), for the failure to post receipts to the proper funds.	Partially corrected and reissued as Finding 2018-002 (significant deficiency) in this report.	The Township declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.

OHIO AUDITOR OF STATE KEITH FABER



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
FEBRUARY 25, 2020**