



Dave Yost • Auditor of State

**CADIZ TOWNSHIP
HARRISON COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Cadiz Township
Harrison County
P.O. Box 134
Cadiz, Ohio 43907

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 Cadiz Township, Harrison County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016.

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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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, 2017 and 2016 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 Cadiz Township, Harrison County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 3 to the financial statements for the year ended December 31, 2016, the General Fund balance at January 1, 2016 was restated to remove activity related to road bond deposits for road and use maintenance agreements that should have been accounted for in an Agency Fund. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2018, 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

June 1, 2018

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$20,663	\$383,901	\$0	\$404,564
Licenses, Permits and Fees	0	9,000	0	9,000
Intergovernmental	15,873	107,236	0	123,109
Earnings on Investments	212	86	0	298
Miscellaneous	17,014	4,103	0	21,117
<i>Total Cash Receipts</i>	<u>53,762</u>	<u>504,326</u>	<u>0</u>	<u>558,088</u>
Cash Disbursements				
Current:				
General Government	44,639	853	0	45,492
Public Safety	0	174,954	0	174,954
Public Works	0	131,844	0	131,844
Health	0	172,416	0	172,416
Capital Outlay	15,326	11,520	0	26,846
<i>Total Cash Disbursements</i>	<u>59,965</u>	<u>491,587</u>	<u>0</u>	<u>551,552</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(6,203)</u>	<u>12,739</u>	<u>0</u>	<u>6,536</u>
<i>Fund Cash Balances, January 1</i>	<u>32,516</u>	<u>110,393</u>	<u>333</u>	<u>143,242</u>
Fund Cash Balances, December 31				
Restricted	0	103,063	333	103,396
Committed	0	20,069	0	20,069
Assigned	26,313	0	0	26,313
<i>Fund Cash Balances, December 31</i>	<u>\$26,313</u>	<u>\$123,132</u>	<u>\$333</u>	<u>\$149,778</u>

See accompanying notes to the basic financial statements

Cadiz Township
Harrison County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2017

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Interest	\$8
<i>Total Operating Cash Receipts</i>	8
<i>Operating Income</i>	8
Non-Operating Receipts (Disbursements)	
Other Financing Sources	10,000
Other Financing Uses	(5,000)
<i>Total Non-Operating Receipts (Disbursements)</i>	5,000
<i>Net Change in Fund Cash Balances</i>	5,008
<i>Fund Cash Balances, January 1</i>	15,005
<i>Fund Cash Balances, December 31</i>	\$20,013

See accompanying notes to the basic financial statements

Cadiz Township
Harrison 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 the Cadiz Township, Harrison County (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. The Township contracts with the Cadiz Fire Department to provide fire protection services.

Public Entity Risk Pools

The Township participates in a public entity risk pool. This organization is the Ohio Township Association Risk Management Authority (OTARMA) which provides property and casualty insurance for its members. Note 7 to the financial statements provides additional information for this entity.

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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are 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 debt service or capital projects. The Township had the following significant Special Revenue Funds:

Cemetery Fund This fund receives property tax money for maintaining Township cemeteries.

Fire District Fund This fund receives property tax money for providing fire protection.

Debt Service Fund This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. There was no activity in the Township's Note Retirement Fund for 2017.

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Fiduciary Funds Fiduciary funds of the Township include agency funds.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for road bond deposits received for road use and maintenance agreements.

Basis of Accounting

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.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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.

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 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Gasoline Tax Fund by \$19,739. Also contrary to Ohio law the Fire District Fund appropriations were amended in the accounting system by \$34,954 but the supplemental appropriation was not approved by the Township Trustees. Also contrary to Ohio law, Fire District Fund expenditures exceeded appropriations by \$34,954.

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,289	\$53,762	(\$9,527)
Special Revenue	446,807	504,326	57,519
Total	\$510,096	\$558,088	\$47,992

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,397	\$59,965	\$38,432
Special Revenue	570,455	491,587	78,868
Debt Service	333	0	333
Total	\$669,185	\$551,552	\$117,633

Note 5 – 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:

Demand deposits	2017 \$149,778
Other time deposits (savings and NOW accounts)	20,013
Total deposits	\$169,791

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – 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 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.

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

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Risk Management

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.), (York or Management), functions as the administrator of the Pool and Provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017:

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$4,000.

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Risk Management (Continued)

Risk Pool Membership (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>2017 Contributions to OTARMA</u>
\$7,814

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All six 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 healthcare 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 9 – 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 1.0 percent during calendar year 2017.

Note 10 – Leases

The Township leases equipment under non-cancelable leases. The Township disbursed \$14,906 to pay lease costs for the year ended December 31, 2017.

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Leases (Continued)

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Leases
2018	\$14,906
2019	6,211
Total	<u>\$21,117</u>

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Cadiz Township
Harrison County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$19,597	\$336,623	\$0	\$356,220
Licenses, Permits and Fees	1,000	0	0	1,000
Intergovernmental	14,938	163,508	0	178,446
Earnings on Investments	59	26	0	85
Miscellaneous	2,362	1,315	0	3,677
<i>Total Cash Receipts</i>	<u>37,956</u>	<u>501,472</u>	<u>0</u>	<u>539,428</u>
Cash Disbursements				
Current:				
General Government	47,067	687	0	47,754
Public Safety	0	204,720	0	204,720
Public Works	0	129,254	0	129,254
Health	328	159,248	0	159,576
Capital Outlay	12,867	0	0	12,867
<i>Total Cash Disbursements</i>	<u>60,262</u>	<u>493,909</u>	<u>0</u>	<u>554,171</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(22,306)</u>	<u>7,563</u>	<u>0</u>	<u>(14,743)</u>
<i>Fund Cash Balances, January 1 - Restated See Note 3</i>	<u>54,822</u>	<u>102,830</u>	<u>333</u>	<u>157,985</u>
Fund Cash Balances, December 31				
Restricted	0	99,813	333	100,146
Committed	0	10,580	0	10,580
Assigned	32,516	0	0	32,516
<i>Fund Cash Balances, December 31</i>	<u>\$32,516</u>	<u>\$110,393</u>	<u>\$333</u>	<u>\$143,242</u>

See accompanying notes to the basic financial statements

Cadiz Township
Harrison County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2016

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Interest	\$4
<i>Total Operating Cash Receipts</i>	4
<i>Operating Income</i>	4
Non-Operating Receipts (Disbursements)	
Other Financing Sources	5,000
Other Financing Uses	(5,000)
<i>Total Non-Operating Receipts (Disbursements)</i>	0
<i>Net Change in Fund Cash Balances</i>	4
<i>Fund Cash Balances, January 1 - Restated See Note 3</i>	15,001
<i>Fund Cash Balances, December 31</i>	\$15,005
<i>See accompanying notes to the basic financial statements</i>	

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Cadiz Township, Harrison County (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. The Township contracts with the Cadiz Fire Department to provide fire protection services.

Public Entity Risk Pools

The Township participates in a public entity risk pool. This organization is the Ohio Township Association Risk Management Authority (OTARMA) which provides property and casualty insurance for its members. Note 8 to the financial statements provide additional information for this entity.

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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are 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 debt service or capital projects. The Township had the following significant Special Revenue Funds:

Cemetery Fund This fund receives property tax money for maintaining Township cemeteries.

Fire District Fund This fund receives property tax money for providing fire protection.

Debt Service Fund This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. There was no activity in the Township's Note Retirement Fund for 2016.

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Fiduciary Funds Fiduciary funds of the Township include agency funds.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for road bond deposits received for road use and maintenance agreements.

Basis of Accounting

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.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 5.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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.

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 – Restatement of Fund Balance

The General Fund balance at December 31, 2015 included road bond deposits for road use and maintenance agreements in the amount of \$15,001. This amount should be reported in an Agency Fund. Therefore a restatement of \$15,001 was made to January 1, 2016 beginning fund balances to remove \$15,001 from the General Fund and report it in the RUMA Road Bond Agency Fund. This restatement had the following effects on fund balance of the General and Agency Funds of the Township as they were previously reported:

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Restatement of Fund Balance (Continued)

	<u>General Fund</u>	<u>Agency Fund</u>
Fund Balance December 31, 2015	\$69,823	\$0
RUMA activity	<u>(15,001)</u>	<u>15,001</u>
Restated Fund Balance January 1, 2016	<u>\$54,822</u>	<u>\$15,001</u>

Note 4 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund, Motor Vehicle License Tax Fund, and Gasoline Tax Fund by \$24,948, \$1,893, and \$14,019, respectively. Also contrary to Ohio law the Fire District Fund appropriations were amended in the accounting system by \$64,720 but the supplemental appropriation was not approved by the Township Trustees. Also contrary to Ohio law, Fire District Fund expenditures exceeded appropriations by \$64,720.

Note 5 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,083	\$37,956	(\$12,127)
Special Revenue	490,546	501,472	10,926
Total	\$540,629	\$539,428	(\$1,201)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$144,854	\$60,262	\$84,592
Special Revenue	542,508	493,909	48,599
Debt Service	333	0	333
Total	\$687,695	\$554,171	\$133,524

Note 6 – 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:

Demand deposits	2016 \$143,242
Other time deposits (savings and NOW accounts)	15,005
Total deposits	\$158,247

Deposits Deposits are insured by the Federal Deposit Insurance Corporation.

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – 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 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.

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

Note 8 – Risk Management

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.), (York or Management), functions as the administrator of the Pool and Provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016:

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 – Risk Management (Continued)

Risk Pool Membership (Continued)

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$4,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>2016 Contributions to OTARMA</u>
\$7,758

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 9 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All six 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 healthcare 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, 2016.

Cadiz Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – 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 2.0 percent during calendar year 2016.

Note 11 – Leases

The Township leases equipment under non-cancelable leases. The Township disbursed \$14,906 to pay lease costs for the year ended December 31, 2016.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Leases
2017	\$14,906
2018	14,906
2019	6,211
Total	<u>\$36,023</u>

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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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*

Cadiz Township
Harrison County
P.O. Box 134
Cadiz, Ohio 43907

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 Cadiz Township, Harrison County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the General Fund balance at January 1, 2016 was restated to remove activity related to road bond deposits for road and use maintenance agreements that should have been accounted for in an Agency Fund.

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 material weaknesses and significant deficiencies.

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 findings 2017-003, 2017-005, 2017-007, and 2017-008 described in the accompanying Schedule of Findings to be material weaknesses.

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 2017-009 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2017-001 through 2017-006.

Township's Response to Findings

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.

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.



Dave Yost
Auditor of State
Columbus, Ohio

June 1, 2018

**CADIZ TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Finding For Recovery Repaid Under Audit

Ohio Rev. Code § 507.09(A)(3) provides in calendar year 2016, in townships having a budget of more than five hundred thousand but not more than seven hundred fifty thousand dollars, the township fiscal officer shall be entitled to compensation of fourteen thousand eight hundred fifty-four dollars.

Prior to the Fiscal Officer taking office on April 1, 2016, her annual salary would have been \$14,147; therefore, her monthly salary should have been based on this salary amount for January 2016 through March 2016. After beginning a new term effective April 1, 2016, the Fiscal Officer would have been eligible for a raise to a new annual salary amount of \$14,854. Therefore, her monthly salary should have been based on this salary amount for April 2016 through December 2016. As a result, for 2016 the Fiscal Officer should have been paid \$14,678; however, the Fiscal Officer was paid \$14,854 for an overpayment of \$176.

In accordance with the foregoing facts and circumstances, and, pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Karen Poillucci, Fiscal Officer, in the amount of \$176 and in favor of Cadiz Township's General Fund.

Fiscal Officer Karen Poillucci repaid the \$176 on May 21, 2018 on receipt number 22-2018. The amount was paid into Cadiz Township's General Fund.

Officials' Response: Finding is repaid.

FINDING NUMBER 2017-002

Noncompliance

Ohio Rev. Code § 505.24(D) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Per Auditor of State Bulletin 2011-007, each township trustee that is compensated from funds other than the general fund must complete a payroll certification prior to receiving his pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the township trustee spent during that pay period providing services related to each fund to be charged.

In 2016, a portion of a Trustee's salary was paid from the Gasoline Tax Fund, in the amount of \$8,104. However, the certifications for the Trustee indicated this portion should be charged to the Road and Bridge Fund.

**CADIZ TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-002
(Continued)**

Noncompliance - Ohio Rev. Code § 505.24(D) (Continued)

This adjustment has been agreed to by Township management and has been posted to the Township's accounting records and is reflected in the accompanying financial statements.

The Township should implement procedures to ensure Trustees' salaries are charged to the applicable funds in accordance with the payroll certification form.

Officials' Response: We will ensure that Trustee's be paid from the proper fund.

FINDING NUMBER 2017-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(C) states all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. In addition, Ohio Rev. Code § 5705.10(D) states in part 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.

During 2017 we noted the following:

- Township tangible personal property tax reimbursements in the amount of \$14,665 were posted to the General Fund instead of being allocated to the Road and Bridge, Cemetery, and Fire Funds in the amounts of \$1,560, \$7,332, and \$5,773, respectively.
- Road permits in the amount of \$9,000 were posted to the General Fund, but should have been posted to the Road and Bridge Fund.
- Road bonds in the amount of \$10,000 were posted to the General Fund, but should have been posted to an Agency Fund.
- A Road bond refund in the amount of \$5,000 was posted to the General Fund, but should have been posted to an Agency Fund.

During 2016 we noted the following:

- Township tangible personal property tax reimbursements in the amount of \$8,790 were posted to the General Fund instead of being allocated to the Road and Bridge, Cemetery, and Fire Funds in the amounts of \$935, \$4,395, and \$3,460, respectively.
- A Road bond in the amount of \$5,000 was posted to the General Fund, but should have been posted to an Agency Fund.
- A Road bond refund in the amount of \$5,000 was posted to the General Fund, but should have been posted to an Agency Fund.

The Township did not have control procedures in place to ensure receipts/expenditures are posted to the correct fund. By not having procedures in place to ensure proper posting of receipts and expenditures could result in material errors to the financial statements and go undetected.

**CADIZ TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-003
(Continued)**

Noncompliance and Material Weakness - Ohio Rev. Code § 5705.10(C) (Continued)

The adjustments noted above have been agreed to by Township management and have been posted to the Township's accounting records and are reflected in the accompanying financial statements.

The Township Fiscal Officer should utilize available authoritative resources to appropriately record transactions to the correct fund based on the source of the receipt and nature of the expenditure.

Officials' Response: We will ensure that all receipts are posted to the correct account.

FINDING NUMBER 2017-004

Noncompliance

Ohio Rev. Code § 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate of resources.

During 2017, appropriations exceeded estimated revenue in the Gasoline Tax Fund by \$19,739. During 2016, appropriations exceeded estimated revenues in the General Fund by \$24,948, the Motor Vehicle License Tax Fund by \$1,893, and the Gasoline Tax Fund by \$14,019. Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances.

The Fiscal Officer should compare appropriations to estimated revenue and determine if adequate resources are available for additional appropriations. The Fiscal Officer should submit to the County Auditor an updated Amended Certificate of Estimated Resources for any applicable changes to the estimated resources during the year.

Officials' Response: We will submit to County Auditor any applicable changes to the estimated resources during the year.

FINDING NUMBER 2017-005

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.40 states, in part, that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

At December 31, 2017, approved appropriations did not agree to the Township's accounting system in the Fire District Fund by \$34,954. At December 31, 2016, approved appropriations did not agree to the Township's accounting system in the Fire District Fund by \$64,720.

**CADIZ TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-005
(Continued)**

Noncompliance and Material Weakness - Ohio Rev. Code § 5705.40 (Continued)

This was a result of the Fiscal Officer increasing the appropriations in the Fire District Fund without Board of Trustee approval.

Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in the notes to the financial statements in order to accurately present appropriation as approved by the Board of Trustees.

The Board of Trustees should approve appropriation amendments and file them with the County Auditor when it is determined that original appropriations will need to be amended throughout the year. The Fiscal Officer should only post legislatively approved amendments to the accounting system.

Officials' Response: We will ensure that any appropriation changes are properly approved.

FINDING NUMBER 2017-006

Noncompliance

Ohio Rev. Code § 5705.41(B) requires that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

At December 31, 2017 and 2016, the Fire District Fund had expenditures which exceeded appropriations by \$34,954 and \$64,720, respectively. The failure to limit expenditures to the amount appropriated by the Board of Trustees could result in overspending and negative cash balances.

The Fiscal Officer and Board of Trustees should review budgetary information on a regular basis to ensure disbursements have not exceeded appropriations at the legal level of control.

Officials' Response: Will have Trustees review the budgetary report going forward on a regular basis.

FINDING NUMBER 2017-007

Material Weakness

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 Township should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

**CADIZ TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

**FINDING NUMBER 2017-007
(Continued)**

Material Weakness (Continued)

The Ohio Township Handbook (revised March 2018) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

Also, the Township did not properly classify its December 31, 2017 and 2016 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

The UAN Accounting and General Manual (revised November 2017) provides five suggested fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

The Township did not always record receipts, disbursements, and fund balance into accurate classifications.

The following summarizes the reclassifications in 2017 and 2016 the Fiscal Officer has agreed to and are reflected in the accompanying financial statements:

During 2017 we noted the following:

- Fund Balance for the General Fund in the amount of \$26,313 was posted as Unassigned, but should have been Assigned.
- Fund Balance for the Road and Bridge Fund in the amount of \$20,069 was posted as Restricted and should have been Committed.

During 2016 we noted the following:

- Fund Balance for the General Fund in the amount of \$32,516 was posted as Unassigned, but should have been Assigned.
- Fund Balance for the Road and Bridge Fund in the amount of \$10,580 was posted as Restricted and should have been Committed.
- A fire grant in the amount of \$47,982 was posted to Miscellaneous in the Fire District Fund, but should have been posted to Intergovernmental.

In addition, the Township had reclassifications in 2017 and 2016 ranging from \$1,231 to \$11,444 that are not reflected in the accompanying financial statements due to their insignificance.

**CADIZ TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2017-007
(Continued)**

Material Weakness (Continued)

The Fiscal Officer should utilize available authoritative resources to appropriately classify and record all receipt transactions. Also when classifying fund balance in accordance with GASB 54 the Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for guidance.

Officials' Response: We will ensure that funds are appropriately classified.

FINDING NUMBER 2017-008

Material Weakness

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts.

In 2017 and 2016, the Fiscal Officer did not accurately post budgeted receipts, and amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system. The following table details these variances:

For 2017:

Fund	Estimated receipts per Amended Certificate	Amount posted to accounting system	Variance
General	\$63,289	\$92,025	\$28,736
Gasoline Tax	85,025	106,657	21,632
Road & Bridge	22,280	32,689	10,409
Fire District	132,038	182,916	50,878

For 2016:

Fund	Estimated receipts per Amended Certificate	Amount posted to accounting system	Variance
General	\$50,083	\$58,783	\$8,700
Motor Vehicle License Tax	9,100	11,000	1,900
Gasoline Tax	90,473	104,550	14,077
Road & Bridge	20,350	24,767	4,417
Cemetery	162,253	205,094	42,841
Fire District	204,720	231,458	26,738

**CADIZ TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-008
(Continued)**

Material Weakness (Continued)

Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in the notes to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor.

The Fiscal Officer should record estimated receipts per the Official Certificate of Estimated Resources to the accounting system. The accounting system should also be updated for any amended certificates certified by the County Auditor.

Officials' Response: Estimated receipts will be recorded per the Official Certificate of Estimated Resources.

FINDING NUMBER 2017-009

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls. Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected.

The small size of the Township's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions. Therefore, for those cycles for which segregation of duties is not possible, the Board of Trustees should take on an active role in the operations of the Township, including review of monthly reconciliations, review of receipt and disbursement ledgers and budget vs actual reports. There was no documentation in the minutes of the Board's approval of bank reconciliations, monthly activity of revenues and expenditures, or budget versus actual reports received at monthly meetings.

The Board of Trustees do not have a policy in place that addresses the review of financial information on a regular basis.

This lack of segregation of duties and accompanying control procedures to address segregation of duties might lead to fraud, theft or errors going undetected.

Financial information should be presented to the Board of Trustees for review on a regular basis. This information should include monthly bank reconciliations, as well as monthly revenue and expenditure activity by fund, and budget versus actual reports. The presentation, review and approval of these reports should be documented in the minutes of the Township's meetings.

Officials' Response: Monthly bank reconciliments, fund status reports, payment reports, cash flow summary reports are being presented at each meeting, but have not been recorded in the minutes, but will be going forward.

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CADIZ TOWNSHIP

HARRISON 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
JUNE 19, 2018**