
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

CANTON TOWNSHIP

STARK COUNTY, OHIO

A&A
REGULAR AUDIT

For the Years Ended

December 31, 2016 and 2015

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Dave Yost • Auditor of State

Board of Trustees
Canton Township
4711 Central Ave SE
Canton, OH 44707

We have reviewed the *Independent Auditor's Report* of Canton Township, Stark County, prepared by Alger & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Canton Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 21, 2017

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CANTON TOWNSHIP
STARK COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Canton Township
Stark County
4711 Central Avenue
Canton, Ohio 44707

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 Canton Township, Stark County, (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit 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, 2016 and 2015, or changes in financial position thereof for the years then ended.


Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Canton Township, Stark County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, 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.

Alger and
Associates Inc



Digitally signed by Alger and Associates Inc
DN: cn=Alger and Associates Inc, o, ou, email=ksalger46@att.net, c=US
Date: 2017.06.11 09:33:58 -0400'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio
May 31, 2017

CANTON TOWNSHIP

STARK COUNTY

**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)**

All Governmental Fund Types

For the Year Ended December 31, 2016

| | <u>General</u> | <u>Special Revenue</u> | <u>Totals (Memorandum Only)</u> |
|--|------------------|----------------------------|---|
| Cash Receipts | | | |
| Property and Other Local Taxes | 235,210 | 3,752,200 | 3,987,410 |
| Charges for Services | 115 | 389,499 | 389,614 |
| Licenses, Permits and Fees | 74,870 | 286,974 | 361,844 |
| Intergovernmental | 163,524 | 1,157,308 | 1,320,832 |
| Special Assessments | 0 | 104,650 | 104,650 |
| Earnings on Investments | 2,987 | 261 | 3,248 |
| Miscellaneous | 62,190 | 32,386 | 94,576 |
| <i>Total Cash Receipts</i> | <u>538,896</u> | <u>5,723,278</u> | <u>6,262,174</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 535,802 | 0 | 535,802 |
| Public Safety | 0 | 2,878,851 | 2,878,851 |
| Public Works | 0 | 1,568,374 | 1,568,374 |
| Human Services | 0 | 13,233 | 13,233 |
| Conservation-Recreation | 59,275 | 0 | 59,275 |
| Capital Outlay | 0 | 507,130 | 507,130 |
| Debt Service: | | | |
| Principal Retirement | 0 | 173,021 | 173,021 |
| Interest and Fiscal Charges | 0 | 13,953 | 13,953 |
| <i>Total Cash Disbursements</i> | <u>595,077</u> | <u>5,154,562</u> | <u>5,749,639</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(56,181)</u> | <u>568,716</u> | <u>512,535</u> |
| Other Financing Receipts | | | |
| Sale of Notes | 0 | 263,000 | 263,000 |
| Sale of Capital Assets | 0 | 55,000 | 55,000 |
| <i>Total Other Financing Receipts</i> | <u>0</u> | <u>318,000</u> | <u>318,000</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(56,181)</u> | <u>886,716</u> | <u>830,535</u> |
| <i>Fund Cash Balances, January 1 (See Note 3)</i> | <u>\$383,859</u> | <u>\$838,642</u> | <u>\$1,222,501</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 1,610,279 | 1,610,279 |
| Committed | 0 | 115,079 | 115,079 |
| Unassigned | 327,678 | 0 | 327,678 |
| | <u>\$327,678</u> | <u>\$1,725,358</u> | <u>\$2,053,036</u> |
| <i>Fund Cash Balances, December 31</i> | | | |

These financial statements have not been subjected to an audit or review or compilation engagement, and no assurance is provided on them.

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CANTON TOWNSHIP
STARK 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 Canton Township, Stark 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, fire protection and emergency medical services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in two public entity risk pools [Ohio Township Association Risk Management Authority (OTARMA) and Stark County Schools Council of Governments Health Benefits Plan] and two jointly governed organizations [Stark County Regional Planning Commission (SCRPC) Stark Council of Governments (SCOG) Note 7 and 12 to the financial statement 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 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:

Fire Special Levy Fund - This fund receives property tax money for the purpose of providing fire protection services for the Township.

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).

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

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 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 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Township pools all available funds of the Township in an interest-bearing checking account.

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.

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.

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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 – Prior Period Adjustments

During 2016, the Township voided stale dated warrants that was issued prior to 2016. The fund balance adjustments had the following effect.

| | General | Special Revenue | Total |
|-----------------------------------|------------------|--------------------|--------------------|
| Fund Cash Balance | | | |
| December 31, 2015 | \$383,761 | \$838,553 | \$1,222,314 |
| Voided Prior Year Warrants | 98 | 89 | \$187 |
| Adjusted Fund Cash Balance | | | |
| December 31, 2015 | <u>\$383,859</u> | <u>\$838,642</u> | <u>\$1,222,501</u> |

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – 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 | \$519,276 | \$538,896 | \$19,620 |
| Special Revenue | 5,847,016 | 6,041,278 | 194,262 |
| Total | \$6,366,292 | \$6,580,174 | \$213,882 |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$903,037 | \$533,793 | \$369,244 |
| Special Revenue | 6,685,570 | 5,215,846 | 1,469,724 |
| Total | \$7,588,607 | \$5,749,639 | \$1,838,968 |

Note 5 – Deposits

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

| | |
|-----------------|-------------|
| | 2016 |
| Demand deposits | \$2,053,036 |

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. 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.

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management/ Public Entity Risk Pool

A. Ohio Township Association Risk Management Authority

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 judgments, 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, 2015, 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, 2015 and 2014 (the latest information available):

| | <u>2015</u> | <u>2014</u> |
|--------------|--------------|--------------|
| Assets | \$37,313,311 | \$35,970,263 |
| Liabilities | 8,418,518 | 8,912,432 |
| Net Position | \$28,894,793 | \$27,057,831 |

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$21,000.

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management/ Public Entity Risk Pool *(continued)*

A. Ohio Township Association Risk Management Authority *(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>Contributions to OTARMA</u> |
|--------------------------------|
| <u>2015</u> |
| \$38,735 |

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.

B. Stark County Schools Council of Governments Health Benefit Plan

The Stark County Schools Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits for member employees and to promote other cooperative programs. The Council Assembly is the legislative decision making body of the Council and is comprised of the superintendent or executive officer from each member. As of June 30, 2016, there were 86 members of the Council. The Board of Directors is the advisory body of the Council and is comprised of five individuals, including the Superintendent of the Stark County Educational Service Center, who serves as Chairman. All Council revenues are generated from charges for services received from the participating members, based on the established premiums for the insurance plans. The Council Agreement can be terminated by a two-thirds vote of the participating members. Upon such termination, the net reserve balance will be transferred to the members in proportion to their fiscal year premium deposits divided by the total deposits of all members.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's elected officials and 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%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 - Defined Benefit Pension Plans *(continued)*

Fire Retirement System The Township’s certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters’ wages, respectively. The Township has paid all contributions required through December 31, 2016.

The Township’s part-time firefighters contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2015.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer 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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

| | Principal | Interest Rate |
|-----------------------------|-----------|---------------|
| Tax Anticipation Notes Road | \$254,751 | 3.00% |
| Tax Anticipation Notes Fire | 210,228 | 3.375% |
| Total | \$464,979 | |

In 2015, the Township had issued tax anticipation notes of \$375,000 to finance the general construction, reconstruction, resurfacing, and repair of streets, and roads, in the township; as specifically set forth and authorized in Revised Code Section 5705.19(G). The Township’s taxing authority collateralized the notes.

In 2016, the Township issued tax anticipation notes of \$263,000 to finance the purchase of a fire truck, for providing and maintaining fire apparatus, buildings, or sites therefore, and all other related and accessory uses and purposes as specifically set forth and authorized in Revised Code Section 5705.19(I). The Township’s taxing authority collateralized the notes. The Township made a payment of \$52,772 in 2016.

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt (continued)

Amortization

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

| Year ending December 31: | Tax Anticipated Note Road | Tax Anticipated Note Fire |
|--------------------------|------------------------------|------------------------------|
| 2017 | \$125,479 | \$103,356 |
| 2018 | 129,272 | 106,873 |
| Total | \$254,751 | \$210,229 |

Note 11 - Jointly Governed Organizations

A. Stark County Regional Planning Commission

The Stark County Regional Planning Commission (SCRPC) is a statutorily created political subdivision of Ohio for the purpose of formulating and renewing plans affecting long and short term social, economic, and governmental development within the region. The Commission is jointly governed among municipalities and townships located in Stark County. Each member’s control over the operation of SCRPC is limited to its representation on the Board which consists of 85 members. The Board exercises total control over SCRPC operations. Complete financial statements may be obtained from the Stark County Regional Planning Commission, 201 3rd Street NW, Suite 201, Canton, Ohio 44702.

B. Stark Council of Governments

The Stark Council of Governments (SCOG) is a statutorily created political subdivision of Ohio for purposes of providing a permanent forum for discussion and study of concerns of the county, cities, villages and townships for development of policies and programs for implementation by one or more of the local governing bodies. SCOG is jointly governed among municipalities and townships located in Stark County. The SCOG operates under the direction of a nine member Executive Committee, which is elected by the General Membership of the SCOG. The General Membership consists of one representative designated by each political subdivision. Complete the financial statements may be obtained from the Stark Council of Governments, 5320 Bridgecreek Avenue NW, Canton, Ohio 44718.

CANTON TOWNSHIP

STARK COUNTY

**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)**

All Governmental Fund Types

For the Year Ended December 31, 2015

| | <u>General</u> | <u>Special Revenue</u> | <u>Totals (Memorandum Only)</u> |
|---|-------------------------|----------------------------|---|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$225,382 | \$2,807,319 | \$3,032,701 |
| Charges for Services | 0 | 403,352 | 403,352 |
| Licenses, Permits and Fees | 72,074 | 42,698 | 114,772 |
| Intergovernmental | 164,888 | 647,725 | 812,613 |
| Special Assessments | 0 | 114,145 | 114,145 |
| Earnings on Investments | 2,306 | 179 | 2,485 |
| Miscellaneous | 500 | 17,233 | 17,733 |
| <i>Total Cash Receipts</i> | <u>465,150</u> | <u>4,032,651</u> | <u>4,497,801</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 375,141 | 0 | 375,141 |
| Public Safety | 0 | 2,844,635 | 2,844,635 |
| Public Works | 0 | 1,522,131 | 1,522,131 |
| Human Services | 0 | 23,289 | 23,289 |
| Conservation-Recreation | 42,322 | 0 | 42,322 |
| Capital Outlay | 0 | 169,000 | 169,000 |
| Debt Service: | | | |
| Principal Retirement | 54,542 | 13,081 | 67,623 |
| Interest and Fiscal Charges | 1,067 | 1,318 | 2,385 |
| <i>Total Cash Disbursements</i> | <u>473,072</u> | <u>4,573,454</u> | <u>5,046,526</u> |
| <i>Excess of Receipts (Under) Disbursements</i> | <u>(7,922)</u> | <u>(540,803)</u> | <u>(548,725)</u> |
| Other Financing Receipts | | | |
| Sale of Notes | 0 | 375,000 | 375,000 |
| <i>Net Change in Fund Cash Balances</i> | <u>(7,922)</u> | <u>(165,803)</u> | <u>(173,725)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>391,683</u> | <u>\$1,004,356</u> | <u>1,396,039</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 766,608 | 766,608 |
| Committed | 0 | 71,945 | 71,945 |
| Unassigned | 383,761 | 0 | 383,761 |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$383,761</u></u> | <u><u>\$838,553</u></u> | <u><u>\$1,222,314</u></u> |

These financial statements have not been subjected to an audit or review or compilation engagement, and no assurance is provided on the

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CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Canton Township, Stark 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, fire protection and emergency medical services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in two public entity risk pools [Ohio Township Association Risk Management Authority (OTARMA) and Stark County Schools Council of Governments Health Benefits Plan] and two jointly governed organizations [Stark County Regional Planning Commission (SCRPC) Stark Council of Governments (SCOG) Note 6 and 11 to the financial statement 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 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:

Fire Special Levy Fund - This fund receives property tax money for the purpose of providing fire protection services for the Township.

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).

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

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 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 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Township pools all available funds of the Township in an interest-bearing checking account.

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.

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.

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance

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 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$432,134 | \$465,150 | \$33,016 |
| Special Revenue | 4,843,091 | 4,407,651 | (435,440) |
| Total | \$5,275,225 | \$4,872,801 | (\$402,424) |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$823,817 | \$418,687 | \$405,130 |
| Special Revenue | 5,847,444 | 4,627,839 | 1,219,605 |
| Total | \$6,671,261 | \$5,046,526 | \$1,624,735 |

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 4 – Deposits

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

| | |
|-----------------|--------------------|
| | 2015 |
| Demand deposits | <u>\$1,222,314</u> |

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20. Public utilities are also taxed on personal and real property located within the Township.

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

Note 6 - Risk Management/ Public Entity Risk Pool

A. Ohio Township Association Risk Management Authority

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 judgments, 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, 2015, 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.

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 6 - Risk Management/ Public Entity Risk Pool *(continued)*

A. Ohio Township Association Risk Management Authority *(continued)*

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, 2015 and 2014 (the latest information available):

| | <u>2015</u> | <u>2014</u> |
|--------------|--------------|--------------|
| Assets | \$37,313,311 | \$35,970,263 |
| Liabilities | 8,418,518 | 8,912,432 |
| Net Position | \$28,894,793 | \$27,057,831 |

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$21,000.

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>Contributions to OTARMA</u> | |
|--------------------------------|-------------|
| <u>2015</u> | <u>2014</u> |
| \$40,389 | \$43,419 |

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.

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 6 - Risk Management *(continued)*

B. Stark County Schools Council of Governments Health Benefit Plan

The Stark County Schools Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits for member employees and to promote other cooperative programs. The Council Assembly is the legislative decision making body of the Council and is comprised of the superintendent or executive officer from each member. As of June 30, 2015, there were 86 members of the Council. The Board of Directors is the advisory body of the Council and is comprised of five individuals, including the Superintendent of the Stark County Educational Service Center, who serves as Chairman. All Council revenues are generated from charges for services received from the participating members, based on the established premiums for the insurance plans. The Council Agreement can be terminated by a two-thirds vote of the participating members. Upon such termination, the net reserve balance will be transferred to the members in proportion to their fiscal year premium deposits divided by the total deposits of all members.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's elected officials and 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%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Fire Retirement System The Township's certified full time Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For the period July 1, 2014 – June 30, 2015 and July 1, 2015 – December 31, 2015, OP&F participants contributed 11.5% and 12.25%, respectively, of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages, respectively. The Township has paid all contributions required through December 31, 2015.

The Township's part-time firefighters contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer 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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

| | Principal | Interest Rate |
|-----------------------------|-----------|---------------|
| Tax Anticipation Notes Road | \$375,000 | 3.00% |

The Township issued new tax anticipation notes of \$375,000 to finance the general construction, reconstruction, resurfacing, and repair of streets, and roads, in the township; as specifically set forth and authorized in Revised Code Section 5705.19(G). The Township’s taxing authority collateralized the notes.

Amortization

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

| | Tax Anticipated Note Road |
|--------------------------|------------------------------|
| Year ending December 31: | |
| 2016 | \$120,249 |
| 2017 | 125,479 |
| 2018 | 129,272 |
| Total | \$375,000 |

Note 10 - Jointly Governed Organizations

A. Stark County Regional Planning Commission

The Stark County Regional Planning Commission (SCRPC) is a statutorily created political subdivision of Ohio for the purpose of formulating and renewing plans affecting long and short term social, economic, and governmental development within the region. The Commission is jointly governed among municipalities and townships located in Stark County. Each member’s control over the operation of SCRPC is limited to its representation on the Board which consists of 85 members. The Board exercises total control over SCRPC operations. Complete financial statements may be obtained from the Stark County Regional Planning Commission, 201 3rd Street NW, Suite 201, Canton, Ohio 44702.

CANTON TOWNSHIP
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 10 - Jointly Governed Organizations *(continued)*

B. Stark Council of Governments

The Stark Council of Governments (SCOG) is a statutorily created political subdivision of Ohio for purposes of providing a permanent forum for discussion and study of concerns of the county, cities, villages and townships for development of policies and programs for implementation by one or more of the local governing bodies. SCOG is jointly governed among municipalities and townships located in Stark County. The SCOG operates under the direction of a nine member Executive Committee, which is elected by the General Membership of the SCOG. The General Membership consists of one representative designated by each political subdivision. Complete the financial statements may be obtained from the Stark Council of Governments, 5320 Bridgecreek Avenue NW, Canton, Ohio 44718.



ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Canton Township
Stark County
4711 Central Avenue
Canton, Ohio 44707

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 Canton Township, Stark County, (the Township) as of and for the years ended December 31, 2016 and December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2017, 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.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Alger and
Associates Inc

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Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio
May 31, 2017

**CANTON TOWNSHIP
STARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Material Weakness

The Township recorded several transactions incorrectly. Incorrect postings identified included the following:

2016 Incorrect postings resulting in financial statement adjustments/reclassifications:

- Sale of a 2003 freightliner fire truck receipts totaling \$55,000 was improperly recorded as charges for services rather than sale of capital assets in the Fire Special Levy fund [fund 2191].
- Tax anticipated notes receipts totaling \$263,000 were improperly recorded as miscellaneous rather than as Sale of Notes in the Special Levy fund [fund 2192].
- Permissive tax receipts totaling \$125,023 was improperly recorded as property tax rather than as intergovernmental revenue in the Permissive Motor Vehicle License fund [fund 2231].
- Principal retirement and interest and fiscal charges disbursements totaling \$52,772 and \$2,017, respectively, were improperly recorded as public safety disbursements in the Special Levy fund [fund 2192].
- Interest and fiscal charges disbursements totaling \$11,936, was improperly recorded as principal retirement disbursement in the Road District fund [fund 2141].
- Permissive tax receipts totaling \$9,520 was improperly recorded as property tax in the General fund rather than as intergovernmental revenue in the Permissive Motor Vehicle License fund [fund 2231].
- Emergency Medical Services grant and a Fire grant totaling \$3,025, was improperly recorded as licenses, permits and fees rather than as intergovernmental revenue in the Fire District fund [fund 2111].

2015 Incorrect postings resulting in financial statement adjustments/reclassifications:

- Tax anticipated notes receipts totaling \$375,000 were improperly recorded as licenses, permits and fees rather than as Sale of Notes in the Road District fund [fund 2141].
- Permissive tax receipts totaling \$128,792 was improperly recorded as property tax rather than as intergovernmental revenue in the Permissive Motor Vehicle License fund [fund 2231].
- Principal retirement and interest and fiscal charges disbursements totaling \$13,081 and \$1,318, respectively, were improperly recorded as public safety disbursements in the Fire & Rescue Ambulance EMS Service fund [fund 2281].
- Principal retirement and interest and fiscal charges disbursements totaling \$54,542 and \$1,067, respectively, were improperly recorded as public safety disbursements in the General fund.
- Emergency Medical Services grant and a Fire grant totaling \$5,090, was improperly recorded as charges for services rather than as intergovernmental revenue in the Fire Special Levy fund [fund 2191].

**CANTON TOWNSHIP
STARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDING NUMBER 2016-001

The Township lacked procedures over ensuring transactions were reported properly. The Fiscal Officer should review the monthly financial reports to help ensure receipts and disbursements are recorded in the proper account based on type of activity. The Fiscal Officer should utilize the Township Accounting Handbook and Uniform Accounting Network Accounting Manual to assist in identifying proper accounts. In addition, the Board should review monthly receipt and disbursement reports to help ensure transactions are properly classified. This may help ensure the Township's financial activity is accurately reported.

FINDING NUMBER 2016-002

Material Weakness

Paragraph 10 of Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB 54) provides amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. In addition, Auditor of State Bulletin 2011-004 suggests reporting property taxes from inside millage due to the road and bridge fund as committed fund balances. During 2016 and 2015, the road and bridge fund balances of \$115,079 and \$71,945, respectively, were reported as restricted fund balances. However, since the tax is from an inside millage, the fund balances should have been reported as committed fund balances. The Township's financial statements have been updated to reflect this reclassification.

During 2016 and 2015, the Zoning fund was reported as a Special Revenue fund. However, the Zoning fund does not have a restricted or committed foundation revenue which is required by GASB 54 to be reported as a Special Revenue fund. For 2016, the Township's financial statements have been adjusted to reflect the Zoning fund's beginning balance, receipts, disbursements and ending balance of \$26,992, \$51,776, \$61,284 and \$17,484, respectively, from the Special Revenue funds to the General Fund. For 2015, the Township's financial statements have been adjusted to reflect the zoning fund's beginning balance, receipts, disbursements and ending balance of \$ 21,054, \$ 60,323, \$ 54,385 and \$ 26,992, respectively, from the Special Revenue Funds to the General Fund.

**CANTON TOWNSHIP
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2016-001 | Material Weakness: Misclassifications of receipts and disbursements. | No | Not corrected. Repeated as 2016-001 |
| 2016-002 | Material Weakness: Misclassification fund balance per GASB 54 | No | Not corrected. Repeated as 2016-002 |

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Dave Yost • Auditor of State

CANTON TOWNSHIP

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 3, 2017**