



Dave Yost • Auditor of State

DENMARK TOWNSHIP
ASHTABULA COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Governmental Fund Types - For the Year Ended December 31, 2016 | 3 |
| Notes to the Financial Statements 2016 | 5 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Governmental Fund Types - For the Year Ended December 31, 2015 | 10 |
| Notes to the Financial Statements 2015 | 11 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 17 |
| Schedule of Findings..... | 19 |

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Denmark Township
Ashtabula County
1875 Stanhope Kelloggsville Road
Jefferson, Ohio 44047

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 Denmark Township, Ashtabula 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 Denmark Township, Ashtabula 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 June 13, 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.



Dave Yost
Auditor of State
Columbus, Ohio

June 13, 2017

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

| | General | Special Revenue | Totals (Memorandum Only) |
|---|------------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$47,169 | \$36,025 | \$83,194 |
| Licenses, Permits and Fees | 150 | 1,410 | 1,560 |
| Intergovernmental | 19,769 | 109,497 | 129,266 |
| Earnings on Investments | 233 | 53 | 286 |
| Miscellaneous | 228 | 2,445 | 2,673 |
| <i>Total Cash Receipts</i> | <u>67,549</u> | <u>149,430</u> | <u>216,979</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 54,304 | | 54,304 |
| Public Safety | | 25,676 | 25,676 |
| Public Works | 545 | 103,524 | 104,069 |
| Health | 8,834 | 5,751 | 14,585 |
| Supplies and Materials | | 15,945 | 15,945 |
| Capital Outlay | 5,150 | 128,518 | 133,668 |
| Debt Service: | | | |
| Principal Retirement | | 37,132 | 37,132 |
| Interest and Fiscal Charges | | 709 | 709 |
| <i>Total Cash Disbursements</i> | <u>68,833</u> | <u>317,255</u> | <u>386,088</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,284)</u> | <u>(167,825)</u> | <u>(169,109)</u> |
| Other Financing Receipts (Disbursements) | | | |
| Other Debt Proceeds | | 128,310 | 128,310 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>0</u> | <u>128,310</u> | <u>128,310</u> |
| <i>Net Change in Fund Cash Balances</i> | (1,284) | (39,515) | (40,799) |
| <i>Fund Cash Balances, January 1</i> | <u>162,622</u> | <u>114,384</u> | <u>277,006</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | | 74,869 | 74,869 |
| Unassigned (Deficit) | 161,338 | | 161,338 |
| <i>Fund Cash Balances, December 31</i> | <u>\$161,338</u> | <u>\$74,869</u> | <u>\$236,207</u> |

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

DENMARK TOWNSHIP
ASHTABULA 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 Denmark Township, Ashtabula 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 and emergency medical services. The Township contracts with Pierpont Township Volunteer Fire Department to provide services for fire and ambulance.

The Township participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority (OTARMA) Note 6

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 consists of a combined statement of receipts, disbursements and changes in the 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 proprietary and 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:

Road and Bridge Fund – The road and bridge fund accounts for and reports that portion of the property tax restricted for maintenance and repair of roads within the Township.

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

DENMARK TOWNSHIP
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 canceled, and re-appropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

The Township maintains a general checking account and a Certificate of Deposit. The Township values certificate of deposits at cost.

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.

DENMARK TOWNSHIP
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 – Budgetary Activity

Budgetary activity for the year ending 2016 follows:

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$67,511 | \$67,549 | \$38 |
| Special Revenue | 149,341 | 149,430 | 89 |
| Total | \$216,852 | \$216,979 | \$127 |

DENMARK TOWNSHIP
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$240,756 | \$68,833 | \$171,923 |
| Special Revenue | 381,412 | 317,255 | 64,157 |
| Total | \$622,168 | \$386,088 | \$236,080 |

Note 4 - Deposits and Investments

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 | \$86,378 |
| Certificates of deposit | 149,829 |
| Total deposits | \$236,207 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Note 5 - Property Tax

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

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

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

Note 6 - Risk Management

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.

DENMARK TOWNSHIP
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 (the latest information available):

| | <u>2015</u> |
|--------------|--------------|
| Assets | \$37,313,311 |
| Liabilities | 8,418,518 |
| Net Position | \$28,894,793 |

At December 31, 2015 the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015, respectively. 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 \$2,300.

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>2016</u> | <u>2015</u> |
| \$4,612 | \$4,251 |

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.

DENMARK TOWNSHIP
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 7 – Defined Benefit Pension Plans

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed and 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.

Note 8 – Postemployment Benefits

OPERS 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.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------------|------------------|----------------------|
| General Obligation Notes | \$10,280 | 2.50% |
| Dump Truck Lease | 101,245 | 2.70% |
| Total | <u>\$111,525</u> | |

The Township issued a general obligation note to finance the purchase of an addition on the township garage and issued a general obligation lease to finance the purchase of a new dump truck and plowing equipment for Township road maintenance. The Township's taxing authority collateralized the notes.

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

| Year ending December 31: | <u>Dump Truck Lease</u> | <u>General Obligation Notes</u> | <u>Total</u> |
|-----------------------------|-----------------------------|---|----------------|
| 2017 | \$27,065 | \$10,537 | \$37,602 |
| 2018 | 27,065 | | 27,065 |
| 2019 | 27,065 | | 27,065 |
| 2020 | 27,065 | | 27,065 |
| Total | <u>\$108,260</u> | <u>\$10,537</u> | <u>118,797</u> |

Denmark Township
Ashtabula County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
Governmental Fund Types
For the Year Ended December 31, 2015

| | General | Special Revenue | Totals (Memorandum Only) |
|---|------------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$46,908 | \$36,392 | \$83,300 |
| Charges for Services | 300 | | 300 |
| Licenses, Permits and Fees | 550 | 707 | 1,257 |
| Intergovernmental | 18,132 | 95,644 | 113,776 |
| Miscellaneous | 60 | 222 | 282 |
| <i>Total Cash Receipts</i> | <u>66,190</u> | <u>133,023</u> | <u>199,213</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 45,816 | | 45,816 |
| Public Safety | | 13,280 | 13,280 |
| Public Works | 690 | 114,976 | 115,666 |
| Health | 10,475 | 7,175 | 17,650 |
| Supplies and Materials | | 156 | 156 |
| Capital Outlay | 206 | 2,701 | 2,907 |
| Debt Service: | | | |
| Principal Retirement | | 9,651 | 9,651 |
| Interest and Fiscal Charges | | 927 | 927 |
| <i>Total Cash Disbursements</i> | <u>57,187</u> | <u>148,866</u> | <u>206,053</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>9,003</u> | <u>(15,843)</u> | <u>(6,840)</u> |
| Other Financing Receipts (Disbursements) | | | |
| Transfers In | | 44,872 | 44,872 |
| Transfers Out | (44,872) | | (44,872) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(44,872)</u> | <u>44,872</u> | <u>0</u> |
| <i>Net Change in Fund Cash Balances</i> | (35,869) | 29,029 | (6,840) |
| <i>Fund Cash Balances, January 1</i> | <u>198,491</u> | <u>85,355</u> | <u>283,846</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | | 114,384 | 114,384 |
| Unassigned (Deficit) | 162,622 | | 162,622 |
| <i>Fund Cash Balances, December 31</i> | <u>\$162,622</u> | <u>\$114,384</u> | <u>\$277,006</u> |

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

DENMARK TOWNSHIP
ASHTABULA 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 Denmark Township, Ashtabula 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 and emergency medical services. The Township contracts with Pierpont Township Volunteer Fire Department to provide services for fire and ambulance.

The Township participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority (OTARMA) Note 6

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 consists of a combined statement of receipts, disbursements and changes in the 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 proprietary and 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:

Road and Bridge Fund – The road and bridge fund accounts for and reports that portion of the property tax restricted for maintenance and repair of roads within the Township.

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

DENMARK TOWNSHIP
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 canceled, and re-appropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

The Township maintains a general checking account and a Certificate of Deposit. The Township values certificate of deposits at cost.

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.

DENMARK TOWNSHIP
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 – Budgetary Activity

Budgetary activity for the year ending 2015 follows:

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$64,860 | \$66,190 | \$1,330 |
| Special Revenue | 176,680 | 177,895 | 1,215 |
| Total | \$241,540 | \$244,085 | \$2,545 |

DENMARK TOWNSHIP
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$263,000 | \$102,059 | \$160,941 |
| Special Revenue | 259,000 | 148,866 | 110,134 |
| Total | \$522,000 | \$250,925 | \$271,075 |

Note 4 - Deposits and Investments

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 | \$127,401 |
| Certificates of deposit | 149,605 |
| Total deposits | 277,006 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Note 5 - Property Tax

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

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

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

Note 6 - Risk Management

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.

DENMARK TOWNSHIP
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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:

| | <u>2015</u> |
|--------------|--------------------|
| Assets | \$37,313,311 |
| Liabilities | 8,418,518 |
| Net Position | \$28,894,793 |

At December 31, 2015 the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 members member governments in the future, as of December 31, 2015, 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 \$2,253.

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>2015</u> |
| 4,251 |

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.

DENMARK TOWNSHIP
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 7 – Defined Benefit Pension Plans

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

The Ohio Revised Code also prescribes contribution rates. For 2015, OPERS members contributed and 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, 2015.

Note 8 – Postemployment Benefits

OPERS 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.

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

| | Principal | Interest Rate |
|--------------------------|-----------|---------------|
| General Obligation Notes | \$20,348 | 2.50% |
| Total | \$20,348 | |

The Township issued a general obligation note to finance the purchase of an addition on the township garage and issued a general obligation lease to finance the purchase of a new dump truck and plowing equipment for Township road maintenance. The Township's taxing authority collateralized the notes.

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

| | General Obligation Notes |
|--------------------------|--------------------------------|
| Year ending December 31: | |
| 2016 | \$10,578 |
| 2017 | 10,537 |
| Total | \$21,116 |



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

Denmark Township
Ashtabula County
1875 Stanhope Kelloggsville Road
Jefferson, Ohio 44047

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 Denmark Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated June 13, 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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.

Township's Response to Findings

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State
Columbus, Ohio

June 13, 2017

**DENMARK TOWNSHIP
ASHTABULA COUNTY**

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

| |
|---|
| 1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

1. Financial Reporting

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2016-001 |
|-----------------------|----------|

MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following posting deficiencies were noted in the financial statements and the accounting records:

- In 2015 a local government support receipt of \$485 was posted in error to the Motor Vehicle License Tax Fund instead of to the General Fund;
- In 2015 a tangible personal property tax receipt was posted in error to the Road & Bridge Fund, but a portion \$926 was due to the General and Fire fund in the amounts of \$588 and \$338, respectively;
- In 2015 the repayment of \$10,578 in debt service from the Gas Tax Fund was paid from the public works line item in error instead of Principal \$9,651, and Interest \$927;
- In 2016 the repayment of debt principal and interest was not posted to Motor Vehicle License Tax (MVL), Gas Tax and Auto Permissive Funds. Adjustments were needed to correct:
 - MVL debt principal of \$4,000
 - Gas Tax debt principal of \$10,068 and \$11,064 and interest and fiscal charges of \$709
 - Auto Permissive debt principal of \$12,000
- In 2016 lease proceeds were not recorded to the accounting records, thus understating receipts and disbursements. Adjustments were needed to correct:
 - Other Debt Proceeds of \$128,310 should be posted as follows: MVL \$4,000, Gasoline Tax \$11,263, Auto Permissive \$12,000 and Road & Bridge \$101,047.
 - Disbursements of \$37,841 currently posted as capital outlay and an additional \$90,469 to Road & Bridge capital outlay.
- In 2016 the Township classified its Special Revenue Fund Balance of \$75,943 as Unrestricted instead of a Restricted fund balance in accordance with Governmental Accounting Standards Board Statement No. 54.

To correct the financial statements, the Fiscal Officer posted adjustments to the Township's Financial Statements and where applicable, the accounting records.

**DENMARK TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

The failure to accurately record revenues and expenditures to the proper funds and line items resulted in misstatements to the financial statements and adjustments are reflected in the financial statements. The lack of accurate record keeping could result in the Township expending money that is not available in a particular fund and errors that could go undetected.

We recommend the Fiscal Officer should use the Ohio Township Handbook or UAN Accounting Manual and any applicable guidance from the Auditor of State's Office as sources of information regarding the proper recording of transactions. Additionally, the Board of Trustees should review monthly financial reports and cash reconciliations from the Fiscal Officer for changes in anticipated revenue, expenditures and transfers for accuracy and completeness of the reports and any discrepancies should be investigated and corrected in a timely manner.

Official's Response: Fiscal officer has discussed errors with audit staff and will make corrections going forward.



Dave Yost • Auditor of State

DENMARK TOWNSHIP

ASHTABULA 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 29, 2017**