

***ATWATER TOWNSHIP***

***PORTAGE COUNTY***

Audit Report

For the Years Ended December 31, 2016 and 2015







# Dave Yost • Auditor of State

Board of Trustees  
Atwater Township  
P. O. Box 9  
Atwater, Ohio 44201

We have reviewed the *Independent Auditor's Report* of Atwater Township, Portage County, prepared by Charles E. Harris & 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. Atwater 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 28, 2017

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**Atwater Township**  
**Portage County**  
For the Years Ended December 31, 2016 and 2015

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**INDEPENDENT AUDITOR'S REPORT**

Atwater Township  
Portage County  
PO Box 9  
Atwater, Ohio 44201

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 Atwater Township, Portage 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 determined, 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 Atwater Township, Portage 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.



***Charles E. Harris & Associates, Inc.***  
May 31, 2017

**ATWATER TOWNSHIP  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | <u>Governmental Fund Types</u> |                            | <b>Totals</b>                |
|--|--------------------------------|----------------------------|------------------------------|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>(Memorandum<br/>Only)</u> |
| <b>Cash Receipts:</b>                            |                                |                            |                              |
| Property and Other Local Taxes                   | \$ 90,438                      | \$ 298,061                 | \$ 388,499                   |
| Charges for Services                             | -                              | 50,087                     | 50,087                       |
| Licenses, Permits, and Fees                      | 29,917                         | 13,688                     | 43,605                       |
| Intergovernmental                                | 65,562                         | 190,393                    | 255,955                      |
| Special Assessments                              | -                              | 2,386                      | 2,386                        |
| Earnings on Investments                          | 262                            | 50                         | 312                          |
| Miscellaneous                                    | 3,120                          | 7,933                      | 11,053                       |
|  | <hr/>                          | <hr/>                      | <hr/>                        |
| Total Cash Receipts                              | 189,299                        | 562,598                    | 751,897                      |
| <b>Cash Disbursements:</b>                       |                                |                            |                              |
| Current:   |                                |                            |                              |
| General Government                               | 194,394                        | -                          | 194,394                      |
| Public Safety                                    | -                              | 289,098                    | 289,098                      |
| Public Works                                     | -                              | 213,033                    | 213,033                      |
| Health   | -                              | 3,484                      | 3,484                        |
| Conservation-Recreation                          | 13,642                         | -                          | 13,642                       |
| Debt Service:                                    |                                |                            |                              |
| Principal Retirement                             | -                              | 94,874                     | 94,874                       |
| Interest and Other Fiscal Charges                | -                              | 9,314                      | 9,314                        |
|  | <hr/>                          | <hr/>                      | <hr/>                        |
| Total Cash Disbursements                         | 208,036                        | 609,803                    | 817,839                      |
| Excess of Receipts Over/(Under) Disbursements    | (18,737)                       | (47,205)                   | (65,942)                     |
| <b>Other Financing Receipts/(Disbursements):</b> |                                |                            |                              |
| Sale of Capital Assets                           | -                              | 15,000                     | 15,000                       |
|  | <hr/>                          | <hr/>                      | <hr/>                        |
| Total Other Financing Receipts/(Disbursements)   | -                              | 15,000                     | 15,000                       |
| Net Change in Fund Cash Balances                 | (18,737)                       | (32,205)                   | (50,942)                     |
| Fund Cash Balances, January 1                    | 384,782                        | 697,801                    | 1,082,583                    |
|  | <hr/>                          | <hr/>                      | <hr/>                        |
| Fund Cash Balances, December 31                  |                                |                            |                              |
| Restricted                                       | -                              | 665,596                    | 665,596                      |
| Assigned   | 2,800                          | -                          | 2,800                        |
| Unassigned                                       | 363,245                        | -                          | 363,245                      |
|  | <hr/>                          | <hr/>                      | <hr/>                        |
| <b>Fund Cash Balances, December 31</b>           | <b>\$ 366,045</b>              | <b>\$ 665,596</b>          | <b>\$ 1,031,641</b>          |



**ATWATER TOWNSHIP  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

|   | <u>Governmental Fund Types</u> |                            | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|--------------------------------|----------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> |   |
| <b>Cash Receipts:</b>                   |                                |                            |   |
| Property and Other Local Taxes          | \$ 95,741                      | \$ 318,240                 | \$ 413,981                              |
| Charges for Services                    | -                              | 56,943                     | 56,943                                  |
| Licenses, Permits, and Fees             | 33,912                         | 13,557                     | 47,469                                  |
| Intergovernmental                       | 80,441                         | 200,599                    | 281,040                                 |
| Special Assessments                     | -                              | 1,325                      | 1,325                                   |
| Earnings on Investments                 | 104                            | 566                        | 670                                     |
| Miscellaneous                           | 1,225                          | 6,861                      | 8,086                                   |
|   | <hr/>                          | <hr/>                      | <hr/>                                   |
| Total Cash Receipts                     | 211,423                        | 598,091                    | 809,514                                 |
| <b>Cash Disbursements:</b>              |                                |                            |   |
| Current:                                |                                |                            |   |
| General Government                      | 166,636                        | -                          | 166,636                                 |
| Public Safety                           | -                              | 283,274                    | 283,274                                 |
| Public Works                            | -                              | 164,772                    | 164,772                                 |
| Health                                  | -                              | 3,588                      | 3,588                                   |
| Conservation-Recreation                 | 28,397                         | -                          | 28,397                                  |
| Capital Outlay                          | -                              | 99,475                     | 99,475                                  |
|   | <hr/>                          | <hr/>                      | <hr/>                                   |
| Total Cash Disbursements                | 195,033                        | 551,109                    | 746,142                                 |
| Net Change in Fund Cash Balances        | 16,390                         | 46,982                     | 63,372                                  |
| Fund Cash Balances, January 1, restated | <hr/>                          | <hr/>                      | <hr/>                                   |
|   | 368,392                        | 650,819                    | 1,019,211                               |
| Fund Cash Balances, December 31         |                                |                            |   |
| Restricted                              | -                              | 697,801                    | 697,801                                 |
| Assigned                                | 4,073                          | -                          | 4,073                                   |
| Unassigned                              | 380,709                        | -                          | 380,709                                 |
|   | <hr/>                          | <hr/>                      | <hr/>                                   |
| <b>Fund Cash Balances, December 31</b>  | <u>\$ 384,782</u>              | <u>\$ 697,801</u>          | <u>\$ 1,082,583</u>                     |

**Atwater Township**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Atwater Township, Portage 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.

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types 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 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 the receipt of property tax money for the purpose of constructing, maintaining, and repairing Township roads.

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

***Fire District Fund*** The fire district fund accounts for and reports the receipt of property tax monies for the general operation of the Township fire department.

**Atwater Township**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***Ambulance and Emergency Medical Services Fund*** The ambulance and emergency medical services fund accounts for and reports charges for services revenue for the general operation of the Township emergency medical services department.

***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 disbursements 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 be budgeted annually.

***Appropriations*** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***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.

**Atwater Township**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

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

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

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

***Committed*** The 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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated resources and appropriations in the subsequent year's appropriated budget in the General Fund.

***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.

**Atwater Township**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

**Note 3 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

| 2016 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$ 164,318           | \$ 189,299         | \$ 24,981 |
| Special Revenue                   | 544,959              | 577,598            | 32,639    |

| 2016 Budgeted vs. Actual Budgetary Basis Disbursements |                            |                            |           |
|--|----------------------------|----------------------------|-----------|
| Fund Type  | Appropriation<br>Authority | Budgetary<br>Disbursements | Variance  |
| General  | \$ 230,547                 | \$ 210,836                 | \$ 19,711 |
| Special Revenue  | 932,706                    | 615,384                    | 317,322   |

| 2015 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$ 177,953           | \$ 211,423         | \$ 33,470 |
| Special Revenue                   | 593,622              | 598,091            | 4,469     |

| 2015 Budgeted vs. Actual Budgetary Basis Disbursements |                            |                            |           |
|--|----------------------------|----------------------------|-----------|
| Fund Type  | Appropriation<br>Authority | Budgetary<br>Disbursements | Variance  |
| General  | \$ 248,438                 | \$ 199,106                 | \$ 49,332 |
| Special Revenue  | 1,034,142                  | 564,030                    | 470,112   |

**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 at December 31 was as follows:

|                 | 2016         | 2015         |
|-----------------|--------------|--------------|
| Demand deposits | \$ 1,031,641 | \$ 1,082,583 |

***Deposits***

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

**Atwater Township**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**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.

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

**Note 6 - Risk Management**

***Risk Pool Membership***

The Township 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), 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, 2016 and 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, 2016 and 2015.

**Atwater Township**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

**Note 6 - Risk Management (continued)**

|              | <b>2016</b>  | <b>2015</b>  |
|--------------|--------------|--------------|
| Assets       | \$38,473,283 | \$37,313,311 |
| Liabilities  | 8,244,140    | 8,418,518    |
| Net Position | \$30,229,143 | \$28,894,793 |

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$7.4 and \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 and \$7.7 million of unpaid claims to be billed to approximately 1,010 and 989 member governments in the future, as of December 31, 2016 and 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 \$8,000.

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.

| <b><u>Contributions to OTARMA</u></b> |                    |
|---------------------------------------|--------------------|
| <b><u>2016</u></b>                    | <b><u>2015</u></b> |
| \$17,419                              | \$17,394           |

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% 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.

**Atwater Township**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 7 - Defined Benefit Pension Plans (continued)**

***Social Security***

The Township's volunteer firefighters contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

|              | Principal  | Interest Rate |
|--------------|------------|---------------|
| Tanker Lease | \$ 100,839 | 3.32%         |

During 2015, the Township entered into a lease agreement with Leasing 2, Inc. to purchase a tanker truck for use by the Atwater Fire Department. The lease totaled \$195,713 with an annual interest rate of 3.32% with a final payment due on May 15, 2017. The Township pays these lease payments from the Fire Fund.

**Note 10 – Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**Note 11 – Prior Period Adjustment**

A prior period adjustment was necessary to properly reflect the Zoning Fund activity in the General Fund. The following table shows the changes to beginning fund balance:

|  | General    | Special<br>Revenue |
|--|------------|--------------------|
| Fund Balance, January 1, 2015          | \$ 360,887 | \$ 658,324         |
| Zoning Fund                            | 7,505      | (7,505)            |
| Restated Fund Balance, January 1, 2015 | \$ 368,392 | \$ 650,819         |



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614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Atwater Township  
Portage County  
PO Box 9  
Atwater, Ohio 44201

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 Atwater Township, Portage 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 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 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-002.


We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 31, 2017.

***Entity's Responses to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Township's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



***Charles E. Harris and Associates, Inc.***  
May 31, 2017

*Atwater Township*  
*Portage County*  
Schedule of Findings  
December 31, 2016 and 2015

|  |
|--|
| <b>Findings Related to the Financial Statements<br/>Required to be Reported in Accordance with GAGAS</b> |
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**Finding Number: 2016-001 – Material Weakness**

**Audit Adjustments and Reclassifications**

During 2016 and 2015, errors were noted in the Township’s financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- The receipt of a fire grant was incorrectly posted as a Special Item instead of Intergovernmental revenue.
- The sale of a tanker truck owned by the Township was incorrectly recorded as Intergovernmental revenue instead of Sale of Capital Assets.
- The Zoning Fund was incorrectly classified as a Special Revenue Fund instead of rolling into the General Fund.
- Various Special Revenue Funds had fund balances incorrectly classified as Assigned instead of Restricted as required by Governmental Accounting Standards Board (GASB) Statement No. 54.

Various other immaterial posting errors were also noted and brought to the attention of management. The accompanying financial statements and the Township’s records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Township adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the Ohio Township Handbook, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

**Management’s Response:**

See Corrective Action Plan on page 19.

**Finding Number: 2016-002 – Noncompliance**

**Fiscal Officer’s Certification of Expenditures**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

*Atwater Township*  
*Portage County*  
Schedule of Findings (continued)  
December 31, 2016 and 2015

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| <b>Findings Related to the Financial Statements<br/>Required to be Reported in Accordance with GAGAS (continued)</b> |
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**Finding Number: 2016-002 – Noncompliance (continued)**

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now Certificates” – If the fiscal officer can certify that both at the time that contract or order was made (“then”) and at the time that the fiscal officer was completing the certification (“now”), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not make the proper certification of funds for 89% and 67% of the disbursements tested for 2016 and 2015, respectively.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s expenditures exceeding budgetary spending limitations, we recommend that the Township certify expenditures prior to incurring the liability. Also, we recommend the Township only use “then and now” certificates for items under \$3,000 and to have all certificates approved by the Board. This will assist in keeping adequate controls over disbursements and encumbrances.

*Atwater Township*  
*Portage County*  
Schedule of Findings (continued)  
December 31, 2016 and 2015

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| <p><b>Findings Related to the Financial Statements</b><br/><b>Required to be Reported in Accordance with GAGAS (continued)</b></p> |
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**Finding Number: 2016-002 – Noncompliance (continued)**

**Management's Response:**

See Corrective Action Plan on page 19.

**Atwater Township**  
**Portage County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2016 and 2015*

| <b>Finding Number</b> | <b>Finding Summary</b>   | <b>Status</b>  | <b>Additional Information</b>  |
|-----------------------|--|--|--|
| 2014-001              | Overpayment of Payroll and Findings for Recovery                               | Corrective Action Taken and Finding is Fully Corrected |  |
| 2014-002              | Mispostings and Misclassification Resulting in Financial Statement Adjustments | Not Corrected; Repeated as Finding 2016-001            | The prior audit's adjustment did not reoccur, however other material adjustments were necessary. |
| 2014-003              | Transfers of Funds   | Corrective Action Taken and Finding is Fully Corrected |  |

***Atwater Township***  
***Portage County***  
**Corrective Action Plan**  
**December 31, 2016 and 2015**

| <b>Finding Number</b> | <b>Planned Corrective Action</b>  | <b>Anticipated Completion Date</b> | <b>Responsible Contact Person</b> |
|-----------------------|---|------------------------------------|-----------------------------------|
| 2016-001              | Management plans to use more care in completing the financial statements in the future and will review all postings prior to filing in the future.  | June 1, 2017                       | Linda Allen,<br>Fiscal Officer    |
| 2016-002              | Management plans to enforce use of purchase orders to ensure proper certification of resources prior to obligation. Management also plans to use blanket and super blanket certificates when appropriate. | June 1, 2017                       | Linda Allen,<br>Fiscal Officer    |

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# Dave Yost • Auditor of State

**ATWATER TOWNSHIP**

**PORTAGE 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 10, 2017**