CANTON JOINT RECREATION DISTRICT

STARK COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2017 and 2016





Members of the Board Canton Joint Recreation District 1414 Market Avenue N Canton, OH 44714

We have reviewed the *Independent Auditor's Report* of the Canton Joint Recreation District, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. 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. The Canton Joint Recreation District is responsible for compliance with these laws and regulations.

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Keith Faber Auditor of State Columbus, Ohio

May 3, 2019

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CANTON JOINT RECREATION DISTRICT STARK COUNTY, OHIO Audit Report For the years ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Canton Joint Recreation District Stark County 1414 Market Avenue North Canton, Ohio 44714

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Canton Joint Recreation District, Stark County, Ohio (the District), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as our evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Canton Joint Recreation District Stark County Independent Auditor's Report Page 2

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

As described in Note 2 of the financial statements, the District 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 District 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 District as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Canton Joint Recreation District, Stark County, Ohio, as of December 31, 2017 and 2016, 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.

Emphasis of Matter

As discussed in Note 9 of the financial statements, as of January 1, 2017, the District has combined operations with the City of Canton Parks Department. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 District's internal control over financial reporting and compliance.

Charles Having Association

Charles E. Harris & Associates, Inc. March 25, 2019

Canton Joint Recreation District Stark County Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance (Regulatory Cash Basis) General Fund For the Year Ended December 31, 2017

	General	
Cash Receipts		
Property and Other Local Taxes	\$	86,422
Charges for Services		410
Earnings on Investments		379
Miscellaneous		5,493
Total Cash Receipts		92,704
Cash Disbursements		
Current:		
Persons Services		9,668
Contractual Services		44,890
Materials and Supplies		3,273
Repairs and Maintenance		350
Capital Outlay		512,645
Total Cash Disbursements		570,826
Net Change in Fund Cash Balances		(478,122)
Fund Cash Balances, January 1		708,389
Fund Cash Balances, December 31		
Assigned		112,995
Unassigned		116,272
Fund Cash Balances, December 31	\$	230,267

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

Note 1 - Reporting Entity

The Canton Joint Recreation District, Stark County, Ohio (the District), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a five-member Board, two appointed by the Canton City School District Board of Education and three appointed by the Mayor of the City of Canton. The District provides maintenance and supervision services for all public recreation facilities with the Canton City School District.

Public Entity Risk Pool

The District participates in the Ohio Plan Risk Management, Inc., a public risk entity pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

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 District 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.

Deposits and Investments

The District'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.

Fund Accounting

The District 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 District are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

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 District Board must annually approve appropriation measures and subsequent amendments.

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 District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2017 budgetary activity appears in Note 4.

Fund Balance

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

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The District's nonspendable balance includes unclaimed monies.

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 Council can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless Council amends 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 Council or a District official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue 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 District 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.

Property, Plant and Equipment

The District 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.

Note 3 – Deposits

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The bank balance at December 31, 2017, was \$231,743, all of which was fully insured by the Federal Deposit Insurance Corporation (FDIC).

Note 4 - Budgetary Activity

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

2017 Budgeted vs. Actual Receipts						
	Budgeted			Actual		
Fund Type	Receipts	ipts Receipts Variance		Receipts		Variance
General	\$	-	\$	92,704	\$	92,704
2017 Budgeted vs. Actual Budgetary Basis Disbursements						
	Appropriation Budgetary					
Fund Type	Authority		Disbursements			Variance
General	\$	-	\$	683,821	\$	(683,821)

Contrary to Ohio law, the District did not file their appropriations with the county auditor, which caused budgetary expenditures to exceed appropriation authority in the General Fund by \$683,821 for the year ended December 31, 2017.

Note 5 – Property Taxes

Property Taxes

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

Public utilities are also taxed on personal and real property located within the District. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

Note 6 – Retirement System

The District's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2017, members of SERS contributed 10 percent of their gross salaries. The District contributed an amount equal to 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

Note 7 - Risk Management

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 50 percent (effective November 1, 2016) of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016, (the latest information available).

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016 (the latest information available).

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	\$ 5,234,206

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

Note 8 – Contingent Liabilities

The District may be a defendant in various lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the District's financial condition.

Note 9 – Recreation District Merger / Subsequent Events

On January 1, 2017, the Canton Joint Recreation District's operations combined with the City of Canton Parks Department and were assumed under the City of Canton reporting entity. This combination was a result of a new five-year, five mill operating levy that replaced the expiring levies held by the District and the Parks Department. The combination was also done as a result of an effort to increase efficiency and reduce program gaps. The District's 2017 activity includes the completion of capital projects started by the District prior to the combination.

During 2018, and through the end of February 2019, the final activity of the District is as follows:

Cash Balance, December 31, 2017 - \$230,267 Revenues - \$21,498 Expenses - (\$222,694) Cash Balance, February 28, 2019 - \$29,071

The remaining cash balance of the District has been earmarked to complete previously started capital projects and is expected to be spent down during 2019 by the City of Canton Parks Department.

Canton Joint Recreation District Stark County Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance (Regulatory Cash Basis) General Fund For the Year Ended December 31, 2016

	General	
Cash Receipts		
Property and Other Local Taxes	\$ 771,131	
Intergovernmental	102,316	
Charges for Services	195,627	
Rent	3,600	
Earnings on Investments	1,581	
Miscellaneous	 27,253	
Total Cash Receipts	1,101,508	
Cash Disbursements		
Current:		
Personal Services	630,980	
Contractual Services	140,465	
Materials and Supplies	106,667	
Repairs and Maintenance	52,499	
Capital Outlay	 280,559	
Total Cash Disbursements	 1,211,170	
Net Change in Fund Cash Balances	(109,662)	
Fund Cash Balances, January 1	 818,051	
Fund Cash Balances, December 31		
Assigned	356,023	
Unassigned	 352,366	
Fund Cash Balances, December 31	\$ 708,389	

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Canton Joint Recreation District, Stark County, (the District) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a five-member Board, two appointed by the Canton City School District Board of Education and three appointed by the Mayor of the City of Canton. The District provides maintenance and supervision services for all public recreation facilities with the Canton City School District.

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

B. Accounting Basis

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.

C. Deposits and Investments

The District'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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary disbursements (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 District Board must annually approve appropriation measures and subsequent amendments.

2. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Committed

Trustees can *commit* amounts via formal action (resolution). The District 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.

4. 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 District Trustees or a District official delegated that authority by resolution, or by State Statute.

5. 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 District 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.

G. Property, Plant, and Equipment

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

H. 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.

2. EQUITY IN POOLED DEPOSITS

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The bank balance at December 31, 2016 was \$758,236.

Deposits

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2016 follows:

2016 Budgeted vs. Actual Receipts				
		Budgeted	Actual	
Fund Type		Receipts	Receipts	Variance
General		\$1,020,497	\$1,101,508	\$81,011
2016 Budgeted vs. Actual Budgetary Basis Disbursments				
		Appropriation	Budgetary	
Fund Type		Authority	Disbursements	Variance
General		\$0	\$1,567,193	(\$1,567,193)

Contrary to Ohio law, appropriations were not submitted to the county auditor causing budgetary expenditures to exceed appropriation authority in the General fund by \$1,567,193 for the year ended December 31, 2016.

4. **PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located within the District.

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

5. **RETIREMENT SYSTEM**

The District's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2016, members of SERS contributed 10 percent of their gross salaries. The District contributed an amount equal to 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

6. **RISK MANAGEMENT**

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated nonprofit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages to tis members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and equity at December 3, 2014 and 2015 (the latest information available).

	<u>2014</u>	<u>2015</u>
Assets	\$14,830,185	\$14,643,667
Liabilities	<u>(8,942,504)</u>	<u>(9,112,030)</u>
Members' Equity	\$ <u>5,887,681</u>	\$ <u>5,531,637</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

7. CONTINGENT LIABILITIES

The District may be defendant in various lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

8. SUBSEQUENT EVENT

On January 1, 2017, in order to consolidate two similar departments, the Canton Joint Recreation District merged with the Canton Parks and Recreation Department.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Canton Joint Recreation District Stark County 1414 Market Avenue North Canton, Ohio 44714

To the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts and disbursements of the Canton Joint Recreation District, Stark County, Ohio (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated March 25, 2019, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the District combined operations with the City of Canton Parks Department as of January 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2017-001 through 2017-003 to be material weaknesses.

Canton Joint Recreation District Stark County Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2017-003 through 2017-005.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 25, 2019.

Entity's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles Having Association

Charles E. Harris & Associates, Inc. March 25, 2019

Schedule of Findings December 31, 2017 and 2016

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

Finding Number 2017-001 - Material Weakness

Mispostings and Misclassifications Resulting in Financial Statement Adjustments

Our testing revealed several instances where errors were made with respect to the posting and reporting of various transactions. During 2017 and 2016, the more significant misclassifications were as follows:

- During 2016, Earnings on Investments were overstated by \$10,117 due to the closing of a Star Ohio account and the transfer of the balance to the main checking account, being recorded entirely as Earnings on Investments.
- During 2016, Homestead and Rollback receipts were misclassified as Property Taxes revenue instead of Intergovernmental revenue in the amount of \$97,316.
- During 2017 and 2016, Property Tax Receipts were recorded at the net amount of total taxes less tax collection fees, rather than recorded at the gross amount, with the associated tax collection fees recorded as an expense.
- During 2017 and 2016, adjustments were necessary to correct various items in the footnotes.

The accompanying financial statements and the District's records have been adjusted to properly reflect these transactions.

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

Managements' Response:

See Corrective Action Plan

Schedule of Findings - Continued December 31, 2017 and 2016

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

Finding Number 2017-002 - Material Weakness

Bank Reconciliations and Timely Posting to Accounting System

Monthly bank reconciliations should be performed by the Treasurer and reviewed and approved by the Board. The reconciliation of the District's bank accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the District. As part of the bank reconciliation, all differences between the balance appearing on the financial statements and the balance of cash according to the District's records should be accounted for. In addition, transactions should be posted to the accounting system in a timely manner.

As of December 31, 2016, revenue that had been received and deposited into the Merchant Account, was shown as deposits in transit on the bank reconciliation, and the Merchant Account was not included. This and other errors throughout 2016 and 2017, resulted in bank reconciliations that were not accurate or correct. This deficiency is a result of inadequate policies and procedures in posting transactions and performing bank reconciliations. Further, as of March 2018 bank reconciliations were no longer being performed. An outside accounting firm was hired to help the District reconcile as of December 31, 2016 and December 31, 2017, and through the end of reporting in January 2019.

Failure to timely record transactions and review and approve bank reconciliations could result in funds being lost, stolen, or unaccounted for without detection and does not allow the Board to adequately monitor the financial activity of the District. We recommend the District ensure transactions are posted timely to the accounting system and perform monthly bank reconciliations consisting of fund balances, bank statements, investment balances and a detail of outstanding checks and deposits. The reconciliation should be submitted to the Board monthly and the Board should review the reconciliation, investigate any discrepancies and document their review and approval by signing it.

Managements' Response:

See Corrective Action Plan

Schedule of Findings - Continued December 31, 2017 and 2016

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

Finding Number 2017-003 – Material Weakness and Noncompliance

Lack of Supporting Documentation

Ohio Rev. Code § 149.351 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under rules adopted by the records commission provided under sections 149.38 to 149.42 of the Revised Code. During the period January 1, 2016 to December 31, 2017, the District did not maintain certain records that would provide support certain activities of the District. The District was unable to produce several pension reports, quarterly 941 reports, and some Board meeting minutes.

The lack of supporting documents, such as pension or income tax reports, created difficulties in auditing the accounting for taxes and retirement contributions. Alternative procedures were performed to verify this information. We recommend the District implement procedures to help ensure that all supporting documentation and records of the public office be maintained in accordance with the records retention requirements discussed above.

Managements' Response:

See Corrective Action Plan

Finding Number 2017-004 – Noncompliance

Expenditures Plus Encumbrances Exceeding Appropriations

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure should be passed and filed with the county auditor. Also, Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated. The failure of the District to file annual appropriations with the county auditor for 2017 and 2016 resulted in the following:

- At December 31, 2017, the General Fund had total expenditures and encumbrances exceed total appropriations by \$683,821.
- At December 31, 2016, the General Fund had total expenditures and encumbrances exceed total appropriations by \$1,567,193.

The Treasurer should be certain that, not only are annual appropriations approved by the Board on an annual basis, but that that are also filed with the county auditor.

Schedule of Findings - Continued December 31, 2017 and 2016

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

Finding Number 2017-005 – Noncompliance

Certification of Available Revenue

Ohio Rev. Code Section 5705.36(A)(1) indicates on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county fiscal officer the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. Although, the Certificate of the Total Amount from All Sources Available for Expenditures, and Balances was filed with the Stark County Auditor for 2016, one was not filed for 2017.

We recommend the District file, on or about the first day of the fiscal year, an accurate Certificate of the Total Amount from All Sources Available for Expenditures, and Unencumbered Balances existing at the end of the preceding year.

Managements' Response:

See Corrective Action Plan

SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management December 31, 2017 and 2016

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2015-001	Material Weakness – account misclassification	No	Repeated as Finding 2017- 001

CORRECTIVE ACTION PLAN – Prepared by Management December 31, 2017 and 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The legal entity formerly known as the Canton Joint Recreation District was dissolved pursuant to Ohio law and no longer exists and that its functions have been assumed by the Canton Park Commission.	N/A	Doug Foltz, Director, Canton Parks and Recreation
2017-002	The legal entity formerly known as the Canton Joint Recreation District was dissolved pursuant to Ohio law and no longer exists and that its functions have been assumed by the Canton Park Commission.	N/A	Doug Foltz, Director, Canton Parks and Recreation
2017-003	The legal entity formerly known as the Canton Joint Recreation District was dissolved pursuant to Ohio law and no longer exists and that its functions have been assumed by the Canton Park Commission.	N/A	Doug Foltz, Director, Canton Parks and Recreation
2017-004	The legal entity formerly known as the Canton Joint Recreation District was dissolved pursuant to Ohio law and no longer exists and that its functions have been assumed by the Canton Park Commission.	N/A	Doug Foltz, Director, Canton Parks and Recreation
2017-005	The legal entity formerly known as the Canton Joint Recreation District was dissolved pursuant to Ohio law and no longer exists and that its functions have been assumed by the Canton Park Commission.	N/A	Doug Foltz, Director, Canton Parks and Recreation

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CANTON JOINT RECREATION DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbett

CLERK OF THE BUREAU

CERTIFIED MAY 16, 2019

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