



Dave Yost • Auditor of State

BERKSHIRE TOWNSHIP
DELAWARE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Berkshire Township
Delaware County
1454 Rome Corners Road
Galena, Ohio 43021

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 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.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Berkshire Township, Delaware County 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 18, 2018

Berkshire Township

Delaware County, Ohio

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

All Governmental Fund Types

For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$262,904	\$222,702				\$485,606
Licenses, Permits and Fees	96,764	2,588				99,352
Intergovernmental	168,808	117,081				285,889
Payment in Lieu of Taxes			476,862			476,862
Earnings on Investments	10,435	2,620	1,394			14,449
Miscellaneous	22,401	4,692				27,093
<i>Total Cash Receipts</i>	<u>561,312</u>	<u>349,683</u>	<u>478,256</u>	<u>0</u>	<u>0</u>	<u>1,389,251</u>
Cash Disbursements						
Current:						
General Government	385,292		476,832			862,124
Public Works		232,573				232,573
Health	19,116	7,133			411	26,660
Capital Outlay	28,761	600				29,361
<i>Total Cash Disbursements</i>	<u>433,169</u>	<u>240,306</u>	<u>476,832</u>	<u>0</u>	<u>411</u>	<u>1,150,718</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>128,143</u>	<u>109,377</u>	<u>1,424</u>	<u>0</u>	<u>(411)</u>	<u>238,533</u>
Other Financing (Disbursements)						
Other Financing Uses	(10,503)					(10,503)
<i>Total Other Financing (Disbursements)</i>	<u>(10,503)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(10,503)</u>
<i>Net Change in Fund Cash Balances</i>	<u>117,640</u>	<u>109,377</u>	<u>1,424</u>	<u>0</u>	<u>(411)</u>	<u>228,030</u>
<i>Fund Cash Balances, January 1</i>	<u>696,674</u>	<u>846,653</u>	<u>0</u>	<u>61,110</u>	<u>411</u>	<u>1,604,848</u>
Fund Cash Balances, December 31						
Restricted	0	949,477	1,424	61,110	0	1,012,011
Assigned	814,314	6,553	0	0	0	820,867
<i>Fund Cash Balances, December 31</i>	<u>\$814,314</u>	<u>\$956,030</u>	<u>\$1,424</u>	<u>\$61,110</u>	<u>\$0</u>	<u>\$1,832,878</u>

See accompanying notes to the financial statements

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Berkshire Township, Delaware County, the Township as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with BST&G (Berkshire, Sunbury, Trenton and Galena) Joint Fire District to provide the fire protection and emergency medical services.

Joint Ventures, and Public Entity Risk Pools

The Township participates in a joint venture and a public entity risk pool. Notes 9 and 6 to the financial statements provides additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Road District Fund This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Columbus Outlets TIF The Columbus Outlets TIF fund accounts for and reports the receipt of TIF money for the payment of bond costs related to the Columbus Outlets project.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Miscellaneous Capital Projects- The Township uses this fund for upkeep and improvements to the township hall.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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 2017 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.

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.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$387,235	\$561,312	\$174,077
Special Revenue	368,141	349,683	(18,458)
Debt Service	476,862	478,256	1,394
Total	\$1,232,238	\$1,389,251	\$157,013

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,133,300	\$560,872	\$572,428
Special Revenue	1,157,874	308,306	849,568
Debt Service	476,862	476,832	30
Capital Projects	61,100		61,100
Permanent	412	411	1
Total	\$2,829,548	\$1,346,421	\$1,483,127

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments

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

	<u>2017</u>
Demand deposits	\$293,104
STAR Plus	817,822
Total deposits	<u>1,110,926</u>
STAR Ohio	721,952
Total investments	<u>721,952</u>
Total deposits and investments	<u>\$1,832,878</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS).

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

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

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.)

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management (Continued)

(York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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

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

Financial Position

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

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

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

2017 Contributions to OTARMA
\$11,789

After one year of membership, a member may withdraw on the anniversary of the date of joining

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management (Continued)

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

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2017</i>	<i>10%</i>	<i>14%</i>

Social Security

Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Joint Ventures

Berkshire Township, Delaware County, and the City of Delaware have entered into a JEDD agreement. The City of Delaware handles the funds and distributes them out to the appropriate recipients of which Berkshire Township is a recipient. The length of this JEDD is 100 years. The JEDD Board consists of representatives from Berkshire Township, the City of Delaware, and the Representative for the Property owners.

Note 10 – Related Party Transactions

Jeff George is a part-time Township Administrator and Zoning Inspector and Melody George serves as Township Treasurer. They are related through marriage. Mr. George was hired by the Township Trustees and Ms. George holds an elected position. Ms. George is not involved with management decisions with regard to personnel matters.

Note 11 – Tax Increment Financing Agreement

On December 1, 2017, the Township along with the Berkshire Landing New Community Authority, Delaware County, Delaware County Finance Authority, and Columbus Outlets, LLC entered into a cooperative agreement. Under the Development Agreement, the Developer agreed to incur certain upfront costs of the initial construction and completion of the Project on behalf of the County, the New Community Authority and the Township, provided that upon the completion such costs of the Project (in excess of the County Contribution, as defined herein) would be reimbursed to the Developer from TIF Payments (defined below) contributed by the Township and community development charges levied by the Authority.

In order to provide funding for the Project, the County contributed \$8 million to provide a portion of the cost of the Project, the Township agreed to provide an exemption from 75% of real property taxes of the improvements (as defined in Section 5709.73 of the Ohio Revised Code) associated with the Development, and to require the owner of the Development to make payments in lieu of taxes ("TIF Payments") in an amount equal to the real property taxes so exempted, and to make such TIF Payments available to pay costs of the Project and (iii) the New Community Authority agreed to levy a community development charge, in accordance with Chapter 349 of the Ohio Revised Code equal to 1/2 of 1% of all sales at retail occurring at the Development and contribute such amounts towards the costs of the Project.

Berkshire Township

Delaware County, Ohio

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$178,827	\$268,792			\$447,619
Licenses, Permits and Fees	130,900	3,377			134,277
Intergovernmental	143,669	165,511	120,114		429,294
Earnings on Investments	4,687	863		1	5,551
Miscellaneous	18,241	2,600			20,841
<i>Total Cash Receipts</i>	<u>476,324</u>	<u>441,143</u>	<u>120,114</u>	<u>1</u>	<u>1,037,582</u>
Cash Disbursements					
Current:					
General Government	369,877				369,877
Public Works		282,378	120,114		402,492
Health	21,270	11,449			32,719
Capital Outlay	34,461	2,000			36,461
<i>Total Cash Disbursements</i>	<u>425,608</u>	<u>295,827</u>	<u>120,114</u>	<u>0</u>	<u>841,549</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>50,716</u>	<u>145,316</u>	<u>0</u>	<u>1</u>	<u>196,033</u>
Other Financing Receipts (Disbursements)					
Other Financing Sources	1,226				1,226
Other Financing Uses	(366)				(366)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>860</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>860</u>
<i>Net Change in Fund Cash Balances</i>	<u>51,576</u>	<u>145,316</u>	<u>0</u>	<u>1</u>	<u>196,893</u>
<i>Fund Cash Balances, January 1</i>	<u>645,098</u>	<u>701,337</u>	<u>61,110</u>	<u>410</u>	<u>1,407,955</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	411	411
Restricted	0	837,655	61,110	0	898,765
Assigned	696,674	8,998	0	0	705,672
<i>Fund Cash Balances, December 31</i>	<u>\$696,674</u>	<u>\$846,653</u>	<u>\$61,110</u>	<u>\$411</u>	<u>\$1,604,848</u>

See accompanying notes to the financial statements

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Berkshire Township, Delaware County, the Township as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with BST&G (Berkshire, Sunbury, Trenton and Galena) Joint Fire District to provide the fire protection and emergency medical services.

Joint Ventures and Public Entity Risk Pools

The Township participates in a joint venture and a public entity risk pool. Notes 9 and 6 to the financial statements provides additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

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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:

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Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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Road District Fund This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

Miscellaneous Capital Projects- The Township uses this fund for upkeep and improvements to the township hall.

Ohio Public Works Commission- The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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.

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

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

A summary of 2016 budgetary activity appears in Note 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.

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.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$389,668	\$477,550	\$87,882
Special Revenue	400,328	441,143	40,815
Capital Projects	120,114	120,114	0
Permanent	1	1	0
Total	\$910,111	\$1,038,808	\$128,697

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,051,500	\$425,974	\$625,526
Special Revenue	1,081,000	295,827	785,173
Capital Projects	120,114	120,114	0
Permanent	0	0	0
Total	\$2,252,614	\$841,915	\$1,410,699

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments

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

	2016
Demand deposits	\$101,457
STAR Plus	1,285,300
Total deposits	1,386,757
STAR Ohio	218,091
Total investments	218,091
Total deposits and investments	\$1,604,848

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation;

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

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

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 Workers 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., functions as the administrator of the Pool and provided underwriting claims, loss control, risk management and reinsurance services for the Pool. Member government pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from coverage claims that exceed members deductibles.

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Risk Management (Continued)

Casualty and Property Coverage

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

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

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

Based on discussions with OTARMA, the expected rates of 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.

2016 Payments to OTARMA
\$11,399

After one year of membership, a member may withdraw on the anniversary of the date 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.

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2016</i>	<i>10%</i>	<i>14%</i>

Social Security

Township’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Joint Ventures

Berkshire Township, Delaware County, and the City of Delaware have entered into a JEDD agreement. The City of Delaware handles the funds and distributes them out to the appropriate recipients of which Berkshire Township is a recipient. The length of this JEDD is 100 years. The JEDD Board consists of representatives from Berkshire Township, the City of Delaware, and the Representative for the Property owners.

Berkshire Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Related Party Transactions

Jeff George is a part-time Township Administrator and Zoning Inspector and Melody George serves as Township Treasurer. They are related through marriage. Mr. George was hired by the Township Trustees and Ms. George holds an elected position. Ms. George is not involved with management decisions with regard to personnel matters.



Dave Yost • Auditor of State

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

Berkshire Township
Delaware County
1454 Rome Corners Road
Galena, Ohio 43021

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 the Berkshire Township, Delaware County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is

described in the accompanying schedule of findings as item 2017-002.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

September 18, 2018

**BERKSHIRE TOWNSHIP
DELAWARE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness – Financial Statement Presentation

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

During 2017 and 2016, we identified financial statements errors within the General, Special Revenue, Capital Project and Permanent Funds; misclassification of activity, and incorrect GASB Statement No. 54 fund balance classifications.

The below adjustments were material and were subsequently posted to the financial statements:

- In 2016, the Township improperly received and recorded another Township's property taxes in the amount of \$109,747. Rather than reducing receipts, the Township recorded expenditures of \$26,600 in Other Financing Uses and \$30,710 in Capital Outlay Expense within the General Fund and \$52,437 of Public Works Expense in the Special Revenue Fund; overstating expenditures. Additionally, within the General Fund, Property Tax receipts remained overstated by \$109,747.
- In 2016, within the General and Special Revenue Fund, \$13,297 and \$36,809, respectively were incorrectly reported as Miscellaneous Receipts rather than intergovernmental receipts.
- In 2016, the Township incorrectly reported the Nonspendable fund balance of \$411 as Assigned within the Permanent Fund.
- In 2016 and 2017, the Township incorrectly reported the Restricted Capital Projects fund balance of \$61,110 as Assigned.
- In 2017, \$6,426 of Property Tax receipts were incorrectly classified as Intergovernmental receipts within the Special Revenue Funds.
- In 2017, \$23,997 of Intergovernmental receipts were incorrectly classified as Miscellaneous receipts within the General Fund.
- In 2017, \$471,332 of General Government disbursements were incorrectly classified as Principal Retirement and Interest and Fiscal Charges disbursements within the Debt Service Fund.

**BERKSHIRE TOWNSHIP
DELAWARE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-001 (Continued)

Material Weakness – Financial Statement Presentation (Continued)

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$659 to \$8,998 that we have brought to the Township’s attention.

We also identified material errors and omissions in the footnotes that have been adjusted in the final report.

The Township lacks internal controls and review procedures to help ensure receipts, expenditures, and fund balances are properly classified on the financial statements. Presenting inaccurate financial information resulted in significant modifications to the Township’s financial statements.

We recommend the Township review current policies and procedures to enhance controls over recording transactions and financial reporting to help ensure information accurately reflects the activity of the Township increasing the reliability of the financial data throughout the year.

Officials’ Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-002

Material Weakness/Noncompliance - On-Behalf of and Special Revenue Activity

Ohio Rev. Code § 5705.09(F) requires that a subdivision establish a special fund for each class of revenue derived from a source, other than general property tax, which the law requires to be used for a particular purpose.

OPWC Project # DQT03, requires the accounting methods specified in AOS Bulletin 2002-004. This accounting requirement is considered to be part of the terms and conditions of participation in Issue 2 programs. Auditor of State Bulletin 2002-004 clarifies the application of Revised Code § 5705.09 to Issue 2 projects, and notes that the Township’s Board of Trustees should establish, by resolution a separate Capital Projects Fund to account for each Issue 2 project funded from the Ohio Public Works Commission (OPWC).

Additionally, established by **Ohio Rev. Code § 5705.10(D)**, all revenue derived from a source other than the general property tax which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Further, Auditor of State Bulletin 2002-004 states that when receiving monies from Ohio Public Works Commission (OPWC), the entity should establish a Capital Projects fund to account for and maintain the federal and state monies, as well as, local matching funds.

Contrary to **Ohio Rev. Code § 5705.09(F) and § 5705.10(D)** and guidance established in Auditor of State Bulletin 2002-004, in fiscal year 2016 and 2017, monies/benefits received and expended (referred to as on-behalf-of receipts and disbursements) associated with OPWC were not recorded in the Township’s accounting system, and Intergovernmental receipts and Property Taxes were incorrectly reported in the incorrect funds.

**BERKSHIRE TOWNSHIP
DELAWARE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

Material Weakness/Noncompliance - On-Behalf of and Special Revenue Activity

The following Adjustments were made to accounting records and financial statements to fairly state the Township's financial statements due to the inaccurate reporting.

<i>Posting Errors</i>	<i>2017</i>
Intergovernmental Receipts posted to the Special Revenue Fund rather than the General Fund	\$ 2,649
Property Tax receipts incorrectly classified as Intergovernmental receipts posted incorrectly to the General Fund rather than the Special Revenue Fund.	\$ 1,711
Intergovernmental receipts incorrectly classified as Property Taxes posted incorrectly to the General Fund rather than the Special Revenue Fund	\$ 214

<i>Posting Errors</i>	<i>2016</i>
On Behalf receipts and disbursements associated with the OPWC Project # DQT03 were not recorded within the financial statements and a separate fund was not established for this OPWC project.	\$ 120,114

Lack of internal controls and awareness of the compliance requirements led to the interim financial reports presenting incorrect fund balances for review by management.

We recommend the Township review **§§ 5705.09(F) and 5705.10(D) of the Ohio Revised Code** and Auditor of State Bulletin 2002-004 and implement controls over the process of establishing new funds and reporting activity for State Awards and restricted revenue sources.

Officials' Response: We did not receive a response from Officials to this finding.

BERKSHIRE TOWNSHIP

Delaware County, Ohio

TRUSTEES

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness-Financial Statement Presentation. First issued in 2015	Not Corrected-Repeated as Finding 2017-001	Adjustments, reclassifications, and accounting for on-behalf-of grants were required for the fiscal years ending December 31, 2017 and 2016. Similar errors were reported in prior audit.
2015-002	Material Weakness-Accounting for "On-behalf-of" Grants. First issued in 2015	Not Corrected-Repeated as Finding 2017-002	Adjustments were required to fairly state the financial statements as of December 31, 2016, refer to Finding 2017-001
2015-003	Material Noncompliance-Expenditures exceeding appropriations. First issued in the 2015 audit.	Fully corrected	None noted.



Dave Yost • Auditor of State

BERKSHIRE TOWNSHIP

DELAWARE 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
NOVEMBER 13, 2018**