



Dave Yost • Auditor of State



HARTFORD TOWNSHIP  
TRUMBULL COUNTY  
DECEMBER 31, 2017

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Hartford Township  
Trumbull County  
PO Box 116  
Hartford, Ohio 44424

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 Hartford Township, Trumbull 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.

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 Hartford Township, Trumbull 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 August 10, 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

August 10, 2018

**HARTFORD TOWNSHIP, TRUMBULL COUNTY**  
**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)**  
**For the Year Ended December 31, 2017**

|  | <u>General</u>   | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Totals<br/>Memorandum<br/>Only)</u> |
|--|------------------|----------------------------|-------------------------|-----------------------------|--|
| <b>Cash Receipts</b>                                 |                  |                            |                         |                             |  |
| Property and Other Local Taxes                       | \$71,209         | \$315,866                  |                         |                             | \$387,075                              |
| Licenses, Permits and Fees                           | 3,268            | 3,482                      |                         |                             | 6,750                                  |
| Fines and Forfeitures                                | 914              | 3,879                      |                         |                             | 4,793                                  |
| Intergovernmental                                    | 26,528           | 99,394                     |                         |                             | 125,922                                |
| Earnings on Investments                              | 1,613            | 857                        |                         |                             | 2,470                                  |
| Miscellaneous  | 17,875           | 24,237                     |                         |                             | 42,112                                 |
|  | <u>121,407</u>   | <u>455,130</u>             |                         |                             | <u>576,537</u>                         |
| <i>Total Cash Receipts</i>                           |                  |                            |                         |                             |  |
| <b>Cash Disbursements</b>                            |                  |                            |                         |                             |  |
| Current:   |                  |                            |                         |                             |  |
| General Government                                   | 124,534          |                            |                         |                             | 124,534                                |
| Public Safety  |                  | 148,001                    |                         |                             | 148,001                                |
| Public Works   |                  | 95,416                     |                         |                             | 95,416                                 |
| Health   | 5,644            | 7,192                      |                         |                             | 12,836                                 |
| Conservation-Recreation                              |                  | 19,996                     |                         |                             | 19,996                                 |
| Debt Service:  |                  |                            |                         |                             |  |
| Principal Retirement                                 |                  | 21,475                     |                         |                             | 21,475                                 |
| Interest and Fiscal Charges                          |                  | 2,841                      |                         |                             | 2,841                                  |
| <i>Total Cash Disbursements</i>                      | <u>130,178</u>   | <u>294,921</u>             |                         |                             | <u>425,099</u>                         |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(8,771)</u>   | <u>160,209</u>             |                         |                             | <u>151,438</u>                         |
| <i>Fund Cash Balances, January 1</i>                 | <u>\$165,397</u> | <u>\$642,571</u>           | <u>\$2,502</u>          | <u>\$9</u>                  | <u>\$810,479</u>                       |
| <b>Fund Cash Balances, December 31</b>               |                  |                            |                         |                             |  |
| Restricted   |                  | 802,780                    | 2,502                   | 9                           | 805,291                                |
| Assigned   | 145,863          |                            |                         |                             | 145,863                                |
| Unassigned (Deficit)                                 | 10,763           |                            |                         |                             | 10,763                                 |
| <i>Fund Cash Balances, December 31</i>               | <u>156,626</u>   | <u>802,780</u>             | <u>2,502</u>            | <u>9</u>                    | <u>961,917</u>                         |

See accompanying notes to the financial statements.

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**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Hartford Township, Trumbull 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, and police protection. The Township contracts with Brookfield Township to provide fire and EMS services.

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

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

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

***Basis of Presentation***

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

***Fund Accounting***

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

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

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted 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.

***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.

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

***Police Fund*** This fund receives property tax money to pay for the general operation of the Township Police Department.

***Park Fund*** This fund receives donations to pay for the development and maintenance of the Township Park.

**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**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:

**General Bond/Note Retirement Fund** The general bond/note retirement fund accounts for and reports resources restricted for the retirement of debt.

**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:

**Fire Capital Improvements** – The Township restricted funds for fire department capital improvement.

**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.

**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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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.

**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

Deposits are held in an interest-bearing checking account. 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.

**Fund Balance**

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

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

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

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

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

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

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

**Note 3 – Budgetary Activity**

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

| 2017 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$114,605            | \$121,406          | \$6,802  |
| Special Revenue                   | 459,622              | 455,131            | (4,492)  |
| Total                             | \$574,227            | \$576,537          | \$2,310  |

**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 3 – Budgetary Activity (Continued)**

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$250,135                  | \$130,178                 | \$119,957 |
| Special Revenue                                       | 1,020,561                  | 294,921                   | 725,640   |
| Debt Service  | 2,502                      | 0                         | 2,502     |
| Total   | \$1,273,197                | \$425,099                 | \$848,098 |

**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:

|                                |           |
|--------------------------------|-----------|
|                                | 2017      |
| Demand deposits                | \$742,452 |
| Total deposits                 | 742,452   |
| STAR Ohio                      | 219,464   |
| Total investments              | 219,464   |
| Total deposits and investments | \$961,916 |

***Deposits***

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

***Investments***

Investments in STAR Ohio and mutual funds 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**

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

***Risk Pool Membership***

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016 ((At the time of this footnote, this is the most recent information available).

|              | <u>2016</u>  |
|--------------|--------------|
| Assets       | \$38,473,283 |
| Liabilities  | 8,244,140    |
| Net Position | \$30,229,143 |

At December 31, 2016 , respectively, 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 to approximately 1,010 members and 957 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, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

|                                       |
|---------------------------------------|
| <b><u>Contributions to OTARMA</u></b> |
| <b><u>2017</u></b>                    |
| \$17,259                              |

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

**Note 7 - Defined Benefit Pension Plans**

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

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

**Note 8 - Debt**

Debt outstanding at December 31, 2017 was as follows:

|   | <u>Principal</u> | <u>Interest Rate</u> |
|---|------------------|----------------------|
| General Obligation Notes (Truck)          | \$64,026         | 2.75%                |
| General Obligation Notes (Police Cruiser) | 13,162           | 3%                   |
| Total                                     | <u>\$77,188</u>  |                      |

The Township issued a 5-year general obligation notes to finance the purchase of a new dump truck and plowing equipment for Township road maintenance in 2016. The Township also issued a 5-year general obligation note to finance the purchase of a new police cruiser in 2015.

**Amortization**

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

| Year ending December 31: | General<br>Obligation<br>Notes |
|--------------------------|--------------------------------|
| 2018                     | 24,336                         |
| 2019                     | 24,336                         |
| 2020                     | 17,243                         |
| 2021                     | 17,243                         |
| Total                    | <u>\$83,158</u>                |

**HARTFORD TOWNSHIP, TRUMBULL COUNTY**  
**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)**  
**For the Year Ended December 31, 2016**

|  | <u>General</u>   | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|------------------|----------------------------|-------------------------|-----------------------------|---|
| <b>Cash Receipts</b>                                 |                  |                            |                         |                             |   |
| Property and Other Local Taxes                       | \$69,295         | \$222,633                  |                         |                             | \$291,928                               |
| Charges for Services                                 |                  | 7,402                      |                         |                             | 7,402                                   |
| Licenses, Permits and Fees                           | 1,921            | 3,828                      |                         |                             | 5,749                                   |
| Fines and Forfeitures                                | 682              | 2,500                      |                         |                             | 3,182                                   |
| Intergovernmental                                    | 26,375           | 90,963                     |                         |                             | 117,338                                 |
| Earnings on Investments                              | 823              | 454                        |                         |                             | 1,277                                   |
| Miscellaneous  | 16,186           | 11,947                     |                         |                             | 28,133                                  |
|  | <u>115,282</u>   | <u>339,727</u>             |                         |                             | <u>455,009</u>                          |
| <i>Total Cash Receipts</i>                           |                  |                            |                         |                             |   |
| <b>Cash Disbursements</b>                            |                  |                            |                         |                             |   |
| Current:   |                  |                            |                         |                             |   |
| General Government                                   | 132,293          |                            |                         |                             | 132,293                                 |
| Public Safety  |                  | 130,975                    |                         |                             | 130,975                                 |
| Public Works   |                  | 185,550                    |                         |                             | 185,550                                 |
| Health   | 5,484            | 2,794                      |                         |                             | 8,278                                   |
| Conservation-Recreation                              |                  | 696                        |                         |                             | 696                                     |
| Debt Service:  |                  |                            |                         |                             |   |
| Principal Retirement                                 |                  | 6,355                      |                         |                             | 6,355                                   |
| Interest and Fiscal Charges                          |                  | 717                        |                         |                             | 717                                     |
| <i>Total Cash Disbursements</i>                      | <u>137,777</u>   | <u>327,087</u>             |                         |                             | <u>464,864</u>                          |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(22,495)</u>  | <u>12,640</u>              |                         |                             | <u>(9,855)</u>                          |
| <b>Other Financing Receipts (Disbursements)</b>      |                  |                            |                         |                             |   |
| Other Financing Sources                              |                  | 78,969                     |                         |                             | 78,969                                  |
|  |                  | <u>78,969</u>              |                         |                             | <u>78,969</u>                           |
| <i>Fund Cash Balances, January 1</i>                 | <u>\$187,892</u> | <u>\$550,962</u>           | <u>\$2,502</u>          | <u>\$9</u>                  | <u>\$741,365</u>                        |
| <b>Fund Cash Balances, December 31</b>               |                  |                            |                         |                             |   |
| Restricted   |                  | 642,571                    | 2,502                   | 9                           | 645,082                                 |
| Assigned   | 135,531          |                            |                         |                             | 135,531                                 |
| Unassigned (Deficit)                                 | 29,866           |                            |                         |                             | 29,866                                  |
| <i>Total Fund Cash Balances, December 31</i>         | <u>165,397</u>   | <u>642,571</u>             | <u>2,502</u>            | <u>9</u>                    | <u>810,479</u>                          |

See accompanying notes to the financial statements.

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**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Hartford Township, Trumbull 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, and police protection. The Township contracts with Brookfield Township to provide fire and EMS services.

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

***Basis of Presentation***

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***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:

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**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**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:

**General Bond/Note Retirement Fund** The general bond/note retirement fund accounts for and reports resources restricted for the retirement of debt.

**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:

**Fire Capital Improvements** – The Township restricted funds for fire department capital improvement.

**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.

**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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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.

**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

Deposits are held in an interest-bearing checking account. 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.

**Fund Balance**

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

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

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

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

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

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

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

**Note 3 – Budgetary Activity**

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

| 2016 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$112,785            | \$115,283          | \$2,499    |
| Special Revenue                   | 455,161              | 418,696            | (36,465)   |
| Total                             | \$567,946            | \$533,979          | (\$33,967) |

**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 3 – Budgetary Activity (Continued)**

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$300,437                  | \$137,778                 | \$162,659 |
| Special Revenue                                       | 1,006,123                  | 327,087                   | 679,036   |
| Debt Service  | 2,502                      | 0                         | 2,502     |
| Total   | \$1,309,061                | \$464,864                 | \$844,197 |

**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                | \$593,343 |
| Total deposits                 | 593,343   |
| STAR Ohio                      | 217,136   |
| Total investments              | 217,136   |
| Total deposits and investments | \$810,479 |

***Deposits***

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

***Investments***

Investments in STAR Ohio and mutual funds 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**

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

***Risk Pool Membership***

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 ((At the time of this footnote, this is the most recent information available).

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

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$9,000.00.

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.

**Hartford Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

| <u>Contributions to OTARMA</u> |
|--------------------------------|
| <u>2016</u>                    |
| \$16,932                       |

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

**Note 7 - Defined Benefit Pension Plans**

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

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

**Note 8 – Debt**

Debt outstanding at December 31, 2016 was as follows:

|   | <u>Principal</u> | <u>Interest Rate</u> |
|---|------------------|----------------------|
| General Obligation Notes (Truck)          | \$78,970         | 2.75%                |
| General Obligation Notes (Police Cruiser) | 20,144           | 3%                   |
| Total                                     | <u>\$99,114</u>  |                      |

The Township issued a 5-year general obligation notes to finance the purchase of a new dump truck and plowing equipment for Township road maintenance in 2016. The Township also issued a 5-year general obligation note to finance the purchase of a new police cruiser in 2015.

**Amortization**

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

| Year ending December 31: | <u>General<br/>Obligation<br/>Notes</u> |
|--------------------------|---|
| 2017                     | \$24,336                                |
| 2018                     | 24,336                                  |
| 2019                     | 24,336                                  |
| 2020                     | 17,243                                  |
| 2021                     | 17,243                                  |
| Total                    | <u>\$107,494</u>                        |



# 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

Hartford Township  
Trumbull County  
PO Box 116  
Hartford, Ohio 44424

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 Hartford Township, Trumbull 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 August 10, 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 10, 2018

**HARTFORD TOWNSHIP  
TRUMBULL COUNTY**

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

**1. Account Posting and Classifications**

|                       |          |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-001 |
|-----------------------|----------|

SIGNIFICANT DEFICIENCY

In our audit engagement letter, as required by AU-C Section 201, *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.

Based on provisions in GASB 54, paragraph 16 and Implementation Guide Z.54.13 assigned balances include year-end general fund balances appropriated in the next fiscal year. The Township's most current 2018 appropriations of \$264,243 within the General Fund were higher than the estimated resources of \$118,380 by \$145,863 and the amount was not reported as assigned fund balance in 2017. The Township's 2017 appropriations of \$250,135 within the General Fund were higher than the estimated resources of \$114,604 by \$135,531 and the amount was not reported as assigned fund balance in 2016. The financial statements have been adjusted for these errors.

The following posting errors, related to fiscal year 2017, have not been corrected on the financial statements:

- Cable franchise fee receipts were improperly posted as miscellaneous receipts in the amount of \$16,463 in the General Fund. Per the Township Handbook, the amount should have been recorded as Licenses, Permits and Fees.
- Homestead and Rollback exemption receipts were improperly posted as property and other local taxes in the amounts of \$9,118 in the General Fund, \$9,565 in the Road and Bridge Fund, \$5,231 in the Police Fund, and \$11,854 in the Fire Fund. Per the Township Handbook, these amounts should have been recorded as intergovernmental.
- A Law Enforcement Grant for police training was improperly posted as miscellaneous revenue in the amount of \$1,760. Because the monies were a grant, they should have been posted and reported as intergovernmental.
- A BWC refund receipt was improperly posted as intergovernmental in the amount of \$1,793 in the Road and Bridge Fund. Per the Township Handbook, the amount should have been recorded as miscellaneous.
- Disbursements related to a grant from ODNR to install a walking path for the Park were improperly posted in the amount of \$11,085 to the General Fund as General Government rather than Conservation – Recreation.
- ODNR grant revenue was improperly posted in the Park Fund as miscellaneous receipts in the amount of \$9,773. This amount should have been classified as intergovernmental.

In 2016, the Township received a loan from a bank to purchase a dump truck for the Road department. The related disbursement was classified as Other Financing Uses in the amount of \$78,971. This amount should have been classified as a Public Works capital outlay disbursement. The financial statements have been adjusted for this error.

The following posting errors, related to fiscal year 2016, have not been corrected on the financial statements:

- Cable franchise fee receipts were improperly posted as miscellaneous receipts in the amount of \$14,693 in the General Fund. Per the Township Handbook, the amount should have been recorded as Licenses, Permits and Fees.
- Homestead and Rollback exemption receipts were improperly posted as property and other local taxes in the amounts of \$8,973 in the General Fund, \$9,584 in the Road and Bridge Fund, \$5,265 in the Police Fund, and \$8,348 in the Fire Fund. Per the Township Handbook, the amounts should have been recorded as intergovernmental.
- A Law Enforcement Grant for police training was improperly posted as miscellaneous revenue in the amount of \$560. Because monies were a grant, they should have been posted and reported as intergovernmental.
- State undivided liquor permit receipts were improperly posted as license, fees and permits in the amount of \$266 in the General Fund. Per the Township Handbook, the amount should have been recorded as intergovernmental.

The Township did not have adequate controls in place to help detect these errors.

The Township should review account postings, trial balances, and the financial statements to help ensure receipts and disbursements are accurately recorded and reported. The Township should refer to the Ohio Township Handbook for proper accounting guidance.

**Officials' Response:** No response provided.



# Dave Yost • Auditor of State

HARTFORD TOWNSHIP

TRUMBULL 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  
OCTOBER 16, 2018