



Dave Yost • Auditor of State

**CANTON TOWNSHIP
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Canton Township
Stark County
4711 Central Avenue S.E.
Canton, Ohio 44707

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Canton Township, Stark County, (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 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, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Canton Township, Stark County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, 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

October 15, 2015

**CANTON TOWNSHIP
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$165,091	\$2,846,873	\$3,011,964
Charges for Services		497,075	497,075
Licenses, Permits and Fees	79,632	126,891	206,523
Intergovernmental	136,715	439,050	575,765
Special Assessments		109,193	109,193
Earnings on Investments	1,788	303	2,091
Miscellaneous	25,000	75,946	100,946
<i>Total Cash Receipts</i>	<u>408,226</u>	<u>4,095,331</u>	<u>4,503,557</u>
Cash Disbursements			
Current:			
General Government	382,075		382,075
Public Safety		2,635,866	2,635,866
Public Works		1,198,885	1,198,885
Conservation-Recreation	15,000		15,000
Other		12,440	12,440
Capital Outlay	42,000		42,000
Debt Service:			
Principal Retirement		25,003	25,003
Interest and Fiscal Charges		3,795	3,795
<i>Total Cash Disbursements</i>	<u>439,075</u>	<u>3,875,989</u>	<u>4,315,064</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(30,849)</u>	<u>219,342</u>	<u>188,493</u>
Other Financing Receipts			
Sale of Capital Assets	30,885		30,885
<i>Total Other Financing Receipts</i>	<u>30,885</u>	<u>0</u>	<u>30,885</u>
<i>Net Change in Fund Cash Balances</i>	36	219,342	219,378
<i>Fund Cash Balances, January 1</i>	<u>391,647</u>	<u>785,014</u>	<u>1,176,661</u>
Fund Cash Balances, December 31			
Restricted		844,608	844,608
Committed		159,748	159,748
Unassigned (Deficit)	391,683		391,683
<i>Fund Cash Balances, December 31</i>	<u>\$391,683</u>	<u>\$1,004,356</u>	<u>\$1,396,039</u>

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

**CANTON TOWNSHIP
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$158,214	\$2,030,252	\$2,188,466
Charges for Services		511,028	511,028
Licenses, Permits and Fees	65,923	60,157	126,080
Intergovernmental	264,093	598,753	862,846
Special Assessments		118,590	118,590
Earnings on Investments	1,434	334	1,768
Miscellaneous		19,887	19,887
<i>Total Cash Receipts</i>	489,664	3,339,001	3,828,665
Cash Disbursements			
Current:			
General Government	386,815		386,815
Public Safety		2,348,781	2,348,781
Public Works		910,350	910,350
Human Services		13,860	13,860
Conservation-Recreation	6,808		6,808
Capital Outlay	44,713		44,713
Debt Service:			
Principal Retirement		23,961	23,961
Interest and Fiscal Charges		4,837	4,837
<i>Total Cash Disbursements</i>	438,336	3,301,789	3,740,125
<i>Excess of Receipts Over (Under) Disbursements</i>	51,328	37,212	88,540
<i>Net Change in Fund Cash Balances</i>	51,328	37,212	88,540
<i>Fund Cash Balances, January 1</i>	340,319	747,802	1,088,121
Fund Cash Balances, December 31			
Restricted		609,665	609,665
Committed		175,349	175,349
Unassigned (Deficit)	391,647		391,647
<i>Fund Cash Balances, December 31</i>	\$391,647	\$785,014	\$1,176,661

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

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Canton Township, Stark 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, fire protection and emergency medical services.

The Township participates in two public entity risk pools and two jointly governed organizations. Notes 7 and 9 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pools:

Ohio Township Association Risk Management Authority (OTARMA) – This organization is a risk-sharing pool available to Ohio townships that provides property and casualty coverage for its members.

Stark County Schools Council of Governments Health Benefit Plan (Council) – This organization is a shared risk pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits for member employees and to promote other cooperative programs.

Jointly Governed Organizations:

Stark County Regional Planning Commission (SCRPC) – This organization is a statutorily created political subdivision of Ohio for the purpose of formulating and renewing plans affecting long and short term social, economic, and governmental development within the region.

Stark Council of Governments (SCOG) – This organization is a statutorily created subdivision of Ohio for purposes of providing a permanent forum for discussion and study of concerns of the county, cities, villages and townships for development of policies and programs for implementation by one or more of the local governing bodies.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Township 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.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

C. Deposits and Investments

The Township maintains all cash in an interest bearing checking account.

D. Fund Accounting

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

1. General Fund

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

2. 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 Fund:

Fire Special Levy Fund - This fund receives property tax money for the purpose of providing fire protection services for the Township.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. 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 2014 and 2013 budgetary activity appears in Note 3.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

F. 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:

1. Nonspendable

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

2. Restricted

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

3. 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.

4. Assigned

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

5. Unassigned

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

The 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.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	2014	2013
Demand deposits	\$1,396,039	\$1,176,661

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$363,234	\$439,111	\$75,877
Special Revenue	3,965,821	4,095,331	129,510
Total	\$4,329,055	\$4,534,442	\$205,387

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$754,882	\$439,075	\$315,807
Special Revenue	4,750,827	3,875,989	874,838
Total	\$5,505,709	\$4,315,064	\$1,190,645

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity – (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$493,776	\$489,664	(\$4,112)
Special Revenue	3,184,764	3,339,001	154,237
Total	\$3,678,540	\$3,828,665	\$150,125

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$834,095	\$438,336	\$395,759
Special Revenue	3,932,566	3,301,789	630,777
Total	\$4,766,661	\$3,740,125	\$1,026,536

4. Property Tax

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

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

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

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Tax Anticipation Notes	\$67,623	4.25%

The Township issued tax anticipation notes to finance the purchase of a building and land to be used for the purpose of providing and maintaining fire apparatus, buildings, or sites therefore, and all other related and accessory uses and purposes as specifically set forth and authorized in Revised Code Section 5705.19(I). The Township's taxing authority collateralized the notes.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Debt – (Continued)

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

Year ending December 31:	Tax Anticipation Notes
2015	\$28,798
2016	28,798
2017	14,399
Total	\$71,995

6. Retirement Systems

The Township’s certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For the periods January 1, 2013 – June 30, 2013, July 1, 2013 – June 30, 2014, and July 1, 2014 – December 31, 2014, OP&F participants contributed 10%, 10.75%, and 11.5%, respectively, of their wages. For 2014 and 2013, the Township contributed to OP&F an amount equal to 19.5% of full-time fire fighters’ wages. For 2014 and 2013, 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, 2014.

7. Risk Management

A. Ohio Township Association Risk Management Authority

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.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management – (Continued)

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, 2013, 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 net position at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$23,000.

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$45,081	\$43,419

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management – (Continued)

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.

B. Stark County Schools Council of Governments Health Benefit Plan

The Stark County Schools Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits for member employees and to promote other cooperative programs. The Council Assembly is the legislative decision-making body of the Council and is comprised of the superintendent or executive officer from each member. As of June 30, 2014, there were 86 members of the Council. The Board of Directors is the advisory body of the Council and is comprised of five individuals, including the Superintendent of the Stark County Educational Service Center, who serves as Chairman. All Council revenues are generated from charges for services received from the participating members, based on the established premiums for the insurance plans. The Council Agreement can be terminated by a two-thirds vote of the participating members. Upon such termination, the net reserve balance will be transferred to the members in proportion to their fiscal year premium deposits divided by the total deposits of all members.

8. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. Jointly Governed Organizations

A. Stark County Regional Planning Commission

The Stark County Regional Planning Commission (SCRPC) is a statutorily created political subdivision of Ohio for the purpose of formulating and renewing plans affecting long and short term social, economic, and governmental development within the region. The Commission is jointly governed among municipalities and townships located in Stark County. Each member's control over the operation of SCRPC is limited to its representation on the Board which consists of 85 members. The Board exercises total control over SCRPC operations. Complete financial statements may be obtained from the Stark County Regional Planning Commission, 201 3rd Street NW, Suite 201, Canton, Ohio 44702.

**CANTON TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. Jointly Governed Organizations – (Continued)

B. Stark Council of Governments

The Stark Council of Governments (SCOG) is a statutorily created political subdivision of Ohio for purposes of providing a permanent forum for discussion and study of concerns of the county, cities, villages and townships for development of policies and programs for implementation by one or more of the local governing bodies. SCOG is jointly governed among municipalities and townships located in Stark County. The SCOG operates under the direction of a nine member Executive Committee, which is elected by the General Membership of the SCOG. The General Membership consists of one representative designated by each political subdivision. Complete the financial statements may be obtained from the Stark Council of Governments, 5320 Bridgecreek Avenue NW, Canton, Ohio 44718.

10. Subsequent Events

The Township's residents passed a 2.9-mill road levy on May 5, 2015. The Township will begin receiving property taxes from the levy in 2016.

The Township was awarded a \$676,130 Federal Emergency Management Act Grant for a Quint Ladder Truck and equipment on July 29, 2015. The Township will begin receiving grant proceeds from the grant in 2015.

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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

Canton Township
Stark County
4711 Center Avenue SE
Canton, Ohio 44707

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 Canton Township, Stark County, (the Township) as of and for the year ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings 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 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 communication 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

October 15, 2015

**CANTON TOWNSHIP
STARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

<i>Finding Number</i>	2014-001
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MATERIAL WEAKNESS

The Township recorded several transactions incorrectly. Incorrect postings identified included the following:

2014 Incorrect postings resulting in financial statement adjustments/reclassifications:

- Sale of a building receipts totaling \$30,885 were improperly recorded as licenses, permits and fees rather than sale of capital assets in the general fund.
- Donation receipts totaling \$25,000 were improperly recorded as licenses, permits and fees rather than miscellaneous in the general fund.
- Capital outlay disbursements totaling \$42,000 were improperly recorded as general government disbursements in the general fund.
- Principal retirement and interest and fiscal charges disbursements totaling \$25,003 and \$3,795, respectively, were improperly recorded as public safety disbursements in the special revenue funds.

2013 Incorrect postings resulting in financial statement adjustments/reclassifications:

- Capital outlay disbursements totaling \$44,713 were improperly recorded as general government disbursements in the general fund.
- Principal retirement and interest and fiscal charges disbursements totaling \$23,961 and \$4,837, respectively, were improperly recorded as public safety disbursements in the special revenue funds.

In addition to those adjustments and reclassifications identified above, the following errors were noted which did not require adjustment and reclassification to the accompanying financial statements:

2014 Incorrect postings which did not requires financial statement adjustment:

- Homestead and rollback receipts totaling \$60,091 were improperly recorded as property and other local taxes rather than intergovernmental in the special revenue funds. In addition, the homestead and rollback receipts were recorded net of fees rather than at gross.
- Bureau of Workers' Compensation Safety and Hygiene grant receipts totaling \$40,000 were improperly recorded as charges for services rather than intergovernmental in the special revenue funds.
- Capital outlay disbursements totaling \$44,958 were improperly recorded as public safety disbursements in the special revenue funds.
- Outstanding encumbrances totaling \$3,261 and \$55,584 were unrecorded in the general fund and special revenue funds, respectively.
- Emergency Medical Services grant receipts totaling \$5,000 were improperly recorded as charges for services rather than intergovernmental in the special revenue funds.
- 14 out of 39 (39%) of non-payroll disbursements testing were posted to an improper object code; however, because the function was, correct, no financial statement reclassification was required

**FINDING NUMBER -2014-001
 (Continued)**

2013 Incorrect postings which did not requires financial statement adjustment:

- Homestead and rollback receipts totaling \$27,501 were improperly recorded as licenses, permits and fees rather than intergovernmental in the special revenue funds. In addition, the homestead and rollback receipts were recorded net of fees rather than at gross.
- Outstanding encumbrances totaling \$88,359 were unrecorded in the special revenue funds.
- Homestead and rollback receipts totaling \$8,902 were improperly recorded as licenses, permits and fees rather than intergovernmental in the General Fund. In addition, the homestead and rollback receipts were recorded net of fees rather than at gross.
- 15 out of 36 (42%) of non-payroll disbursements were posted to an improper object code; however, because the function was, correct, no financial statement reclassification was required.

The Township lacked procedures over ensuring transactions were reported properly. The Fiscal Officer should review the monthly financial reports to help ensure receipts and disbursements are recorded in the proper account based on type of activity. The Fiscal Officer should utilize the Township Accounting Handbook and Uniform Accounting Network Accounting Manual to assist in identifying proper accounts. In addition, the Board should review monthly receipt and disbursement reports to help ensure transactions are properly classified. This may help ensure the Township's financial activity is accurately reported.

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

Fund Balance Classifications

<i>Finding Number</i>	2014-002
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MATERIAL WEAKNESS

Paragraph 10 of Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB 54) provides amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. In addition, Auditor of State Bulletin 2011-004 suggests reporting property taxes from inside millage due to the road and bridge fund as committed fund balances. During 2014 and 2013, the road and bridge fund balances of \$159,748 and \$175,349, respectively, were reported as restricted fund balances. However, since the tax is from an inside millage, the fund balances should have been reported as committed fund balances. The Township's financial statements have been updated to reflect this reclassification.

During 2014 and 2013, the zoning fund was reported as a special revenue fund. However, the zoning fund does not have a restricted or committed foundation revenue which is required by GASB 54 to be reported as a special revenue fund. For 2014, the Township's financial statements have been adjusted to reflect the zoning fund's beginning balance, receipts, disbursements and ending balance of \$16,203, \$51,247, \$46,396 and \$21,054, respectively, from the special revenue funds to the general fund. For 2013, the Township's financial statements have been adjusted to reflect the zoning fund's beginning balance, receipts, disbursements and ending balance of \$47,649, \$40,538, \$71,984 and \$16,203, respectively, from the special revenue funds to the general fund.

Fund Balance Classifications (Continued)

<i>Finding Number</i>	2014-002 (Continued)
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The Township lacked procedures to ensure fund balances were properly classified. The Township should take the necessary steps to help ensure that all fund balances are properly reported in accordance with GASB 54. To achieve this, the Township should review GASB 54 and Auditor of State Bulletin 2011-004.

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

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**CANTON TOWNSHIP
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Posting of Transactions – The Township had several misclassifications of receipts and disbursements.	No	Not corrected. Reported in the Schedule of Findings as 2014-001.

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Dave Yost • Auditor of State

CANTON TOWNSHIP

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 24, 2015**