



Dave Yost • Auditor of State

DANBURY TOWNSHIP
OTTAWA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Danbury Township
Ottawa County
5972 East Port Clinton Eastern Road
Marblehead, Ohio 43440-9782

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 Danbury Township, Ottawa County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably 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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Danbury Township, Ottawa County, Ohio as of December 31, 2016 and 2015, 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 November 2, 2017, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 2, 2017

Danbury Township
Ottawa County, Ohio
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$155,142	\$1,736,712		\$1,891,854
Charges for Services		211,781		211,781
Licenses, Permits and Fees	76,133	3,853		79,986
Fines and Forfeitures		2,428		2,428
Intergovernmental	61,574	292,030	\$2,218	355,822
Special Assessments	793			793
Earnings on Investments	18,161	3,310		21,471
Miscellaneous	21,412	190,755		212,167
<i>Total Cash Receipts</i>	<u>333,215</u>	<u>2,440,869</u>	<u>2,218</u>	<u>2,776,302</u>
Cash Disbursements				
Current:				
General Government	343,554			343,554
Public Safety		1,547,234		1,547,234
Public Works	39,447	419,897		459,344
Health	56,079	30,437		86,516
Conservation-Recreation	10,711			10,711
Other		6,776		6,776
<i>Total Cash Disbursements</i>	<u>449,791</u>	<u>2,004,344</u>		<u>2,454,135</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(116,576)</u>	<u>436,525</u>	<u>2,218</u>	<u>322,167</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets		6,500		6,500
Advances In	2,218			2,218
Advances Out			(2,218)	(2,218)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,218</u>	<u>6,500</u>	<u>(\$2,218)</u>	<u>6,500</u>
<i>Net Changes in Fund Cash Balances</i>	<u>(114,358)</u>	<u>443,025</u>		<u>328,667</u>
<i>Fund Cash Balances, January 1</i>	<u>318,326</u>	<u>2,413,929</u>		<u>2,732,255</u>
Fund Cash Balances, December 31				
Restricted		2,856,954		2,856,954
Assigned	9,713			9,713
Unassigned	194,255			194,255
<i>Fund Cash Balances, December 31</i>	<u>\$203,968</u>	<u>\$2,856,954</u>		<u>\$3,060,922</u>

See accompanying notes to the financial statements

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Danbury Township, Ottawa County, Ohio (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, park operations, police protection, fire and emergency medical services, and general government services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority, which is a public entity risk pool providing property and casualty coverage for its members. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Police District Fund This fund receives property taxes, fines, intergovernmental receipts, and donations for providing police protection for the Township.

Fire & EMS Levy Fund This fund receives property taxes, donations, and charges for services from emergency medical services to be used for providing fire and emergency medical services.

Capital Project Funds These funds account for and report financial resources that are restricted 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:

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

2015 Solid Waste Sign Grant Fund The Township received a grant from the Ottawa Sandusky Seneca Joint Solid Waste District to supplement the cost of sign upgrades.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Rev. Code requires each fund be budgeted annually.

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

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

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

The investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Accumulated Leave

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

Fund Balance

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

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

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

Committed The Board of 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 the Board of 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 ended December 31, 2016 follows:

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$288,488	\$333,215	\$44,727
Special Revenue	2,218,159	2,447,369	229,210
Capital Projects	2,218	2,218	
Total	\$2,508,865	\$2,782,802	\$273,937

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$609,032	\$459,539	\$149,493
Special Revenue	4,647,999	2,536,982	2,111,017
Total	\$5,257,031	\$2,996,521	\$2,260,510

Note 4 – Deposits and Investments

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

	2016
Demand deposits	\$284,524
Other time deposits (savings accounts)	897,929
Total deposits	\$1,182,453
STAR Ohio	1,878,469
Total deposits and investments	\$3,060,922

Deposits

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

Investments

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

Note 5 – Property Taxes

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

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

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management

Risk Pool Membership

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York 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, 2016, 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.

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

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$21,000.

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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>2016</u>
\$45,670

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

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

The Ohio Rev. 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.

Ohio Police and Fire Retirement System

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Rev. Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Rev. Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 19.50% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Township has paid all contributions required through December 31, 2016.

Social Security

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

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – 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.

Note 10 – Miscellaneous Receipts

During 2016, Special Revenue Fund Type miscellaneous receipts consisted primarily of donations received from an estate to the police and fire departments.

Note 11 – Compliance

Contrary to Ohio Law, the Township established a discretionary fund without proper authorization from the Auditor of State.

Danbury Township
Ottawa County, Ohio
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$146,710	\$1,697,491		\$1,844,201
Charges for Services		269,622		269,622
Licenses, Permits and Fees	62,546	8,114		70,660
Fines and Forfeitures		2,529		2,529
Intergovernmental	76,999	279,160	\$170,493	526,652
Special Assessments	1,423			1,423
Earnings on Investments	2,142	485		2,627
Miscellaneous	20,186	31,642	6,390	58,218
<i>Total Cash Receipts</i>	<u>310,006</u>	<u>2,289,043</u>	<u>176,883</u>	<u>2,775,932</u>
Cash Disbursements				
Current:				
General Government	328,502			328,502
Public Safety		1,330,044		1,330,044
Public Works	37,302	587,089	130,635	755,026
Health	49,631	17,959		67,590
Recreation	12,035			12,035
Capital Outlay		305,538	49,500	355,038
<i>Total Cash Disbursements</i>	<u>427,470</u>	<u>2,240,630</u>	<u>180,135</u>	<u>2,848,235</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(117,464)</u>	<u>48,413</u>	<u>(3,252)</u>	<u>(72,303)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets		1		1
Transfers In			1,034	1,034
Transfers Out	(1,016)	(18)		(1,034)
Advances In			2,218	2,218
Advances Out	(2,218)			(2,218)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,234)</u>	<u>(17)</u>	<u>\$3,252</u>	<u>1</u>
<i>Net Changes in Fund Cash Balances</i>	<u>(120,698)</u>	<u>48,396</u>		<u>(72,302)</u>
<i>Fund Cash Balances, January 1</i>	<u>439,024</u>	<u>2,365,533</u>		<u>2,804,557</u>
Fund Cash Balances, December 31				
Restricted		2,413,929		2,413,929
Assigned	307,444			307,444
Unassigned	10,882			10,882
<i>Fund Cash Balances, December 31</i>	<u>\$318,326</u>	<u>\$2,413,929</u>		<u>\$2,732,255</u>

See accompanying notes to the financial statements

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Danbury Township, Ottawa County, Ohio (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, park operations, police protection, fire and emergency medical services, and general government services.

Public Entity Risk Pool

The Township participates in Ohio Plan Risk Management, Inc., which is a public entity risk pool providing property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Road and Bridge Fund This fund accounts for property taxes to be used for maintenance and repair of roads within the Township.

Police District Fund This fund receives property taxes, fines, intergovernmental receipts, and donations for providing police protection for the Township.

Fire District Fund This fund receives property taxes for providing fire services.

Fire & EMS Levy Fund This fund receives property taxes, donations, and charges for services from emergency medical services to be used for providing fire and emergency medical services.

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

BWC Safety Grant – Fire/EMS Fund This fund is used to account for an Ohio Bureau of Worker’s Compensation grant to be used for supplementing the cost of power loading systems for ambulances.

2015 PWC Grant Fund This fund is used to account for an Ohio Public Works Commission grant to be used for improving various Township roads.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Rev. Code requires each fund be budgeted annually.

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

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

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

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

The investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Committed The Board of 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 the Board of 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.

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$288,324	\$310,006	\$21,682
Special Revenue	1,943,490	2,289,044	345,554
Capital Projects	330,922	176,883	(154,039)
Total	\$2,562,736	\$2,775,933	\$213,197

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$727,348	\$429,855	\$297,493
Special Revenue	4,309,023	2,262,738	2,046,285
Capital Projects	330,922	180,135	150,787
Total	\$5,367,293	\$2,872,728	\$2,494,565

Note 4 – Deposits and Investments

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

	2015
Demand deposits	\$712,217
Certificates of deposit	151,572
Total deposits	863,789
STAR Ohio	1,868,466
Total deposits and investments	\$2,732,255

Deposits

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

Investments

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

Note 5 – Property Taxes

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

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

Note 6 - Risk Management

Risk Pool Membership

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

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

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

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015.

	<u>2015</u>
Assets	\$14,643,667
Liabilities	<u>(9,112,030)</u>
Members' Equity	<u>\$5,531,637</u>

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

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 7 - Interfund Balances

Outstanding advances at December 31, 2015, consisted of \$2,218 advanced from the General Fund to the 2015 Solid Waste Sign Grant Fund to provide working capital for projects.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Rev. 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, 2015.

Ohio Police and Fire Retirement System

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Rev. Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Rev. Code also prescribes contribution rates. OP&F participants contributed 11.50% of their wages through June 30, 2015 and contributed 12.25% of their wages beginning July 1, 2015. The Township contributed to OP&F an amount equal to 19.50% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Township has paid all contributions required through December 31, 2015.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Danbury Township, Ohio
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 10 – 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.

Note 11 – Compliance

Contrary to Ohio Law, the Township established a discretionary fund without proper authorization from the Auditor of State.



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

Danbury Township
Ottawa County
5972 East Port Clinton Eastern Road
Marblehead, Ohio 43440-9782

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 Danbury Township, Ottawa County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 2, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of 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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2016-001 and 2016-002 to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-002.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

November 2, 2017

**DANBURY TOWNSHIP
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Significant Deficiency – Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements and notes to the financial statements is complete and accurate.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2016:

- General Fund unassigned fund balance in the amount of \$9,713 was reclassified to assigned in accordance with the provisions of GASB 54; and
- Special Revenue Fund Type estimated receipts were increased in the amount of \$142,799 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts.

Additional insignificant errors were also noted for the years ended December 31, 2016 and 2015. These errors were not identified and corrected prior to the Township preparing its financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. The accompanying financial statements, and where applicable, the Township's accounting records have been adjusted to reflect these changes. Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To help ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer, to identify and correct errors and omissions. The Fiscal Officer can refer to the Ohio Township Handbook at the following web site address for guidance on the recording of transactions: <http://www.ohioauditor.gov/publications/FINALTownshipHandbook%203-22-17.pdf>.

FINDING 2016-002

Noncompliance / Significant Deficiency

Ohio Rev. Code § 5705.12 provides that, in addition to the funds provided for by § 5705.09, § 5705.121, § 5705.13, and § 5705.131 of the Rev. Code, the taxing authority of a subdivision may establish, with the approval of and in the manner prescribed by the auditor of state, such other funds as are desirable, and may provide by ordinance or resolution that money derived from specified sources other than the general property tax shall be paid directly into such funds. The auditor of state shall consult with the tax commissioner before approving such funds.

In a previous year, the Township established a Zoning Fund (2181). However, no resolution or ordinance could be provided to document the source and use of the fund, and there was no documentation found that proper authorization of this fund was given by the Auditor of State.

**FINDING 2016-002
(Continued)**

During 2016, the Zoning Fund (2181) was incorrectly accounted for as a Special Revenue Fund rather than being included in General Fund (Beginning Fund Balance of \$10,882; Receipts of \$22,796, Disbursements of \$20,992; Ending Fund Balance of \$1,804; Budgeted Receipts of \$15,910; and Budgeted Disbursements of \$26,792).

During 2015, the Zoning Fund (2181) was incorrectly accounted for as a Special Revenue Fund rather than being include in the General Fund (Beginning Fund Balance of \$20,652; Receipts of \$13,864, Disbursements of \$23,634; Ending Fund Balance of \$10,882; Budgeted Receipts of \$13,864; and Budgeted Disbursements of \$23,634).

These errors are a result of inadequate policies and procedures over reviewing the financial statements and resulted in audit adjustments to the accompanying financial statements, notes to the financial statements, and accounting records, as applicable, to correct these errors.

To help ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review Audit Bulletin 1999-006 for information on obtaining authorization from the Auditor of State before any new funds, not provided by the sections listed above, are established.

Officials' Response:

We did not receive a response from Officials to the findings reported above.



Dave Yost • Auditor of State

DANBURY TOWNSHIP

OTTAWA 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 16, 2017