

# ***OSNABURG TOWNSHIP***

**STARK COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2016 and 2015**







# Dave Yost • Auditor of State

Board of Trustees  
Osnaburg Township  
7115 Hillvale Street  
East Canton, Ohio 44730

We have reviewed the *Independent Auditor's Report* of Osnaburg Township, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Osnaburg Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 28, 2017

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**OSNABURG TOWNSHIP**  
**STARK COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2016 and 2015**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

Osnaburg Township  
Stark County  
7115 Hillvale Street  
East Canton, Ohio 44730

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 Osnaburg Township, Stark County, (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***

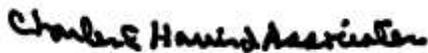
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United 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 combined cash balances of Osnaburg Township, Stark County as of December 31, 2016 and 2015, 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 2.

***Other Reporting Required by Government Auditing Standards***

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



***Charles E. Harris & Associates, Inc.***  
May 15, 2017

**OSNABURG TOWNSHIP  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$43,261	\$680,932	-	\$724,193
Charges for Services	-	107,879	-	107,879
Licenses, Permits and Fees	15,039	11,289	-	26,328
Intergovernmental	38,895	229,889	-	268,784
Earnings on Investments	1,867	276	-	2,143
Miscellaneous	3,329	12,823	-	16,152
<i>Total Cash Receipts</i>	<u>102,391</u>	<u>1,043,088</u>	<u>-</u>	<u>1,145,479</u>
<b>Cash Disbursements</b>				
Current:				
General Government	99,384	-	-	99,384
Public Safety	-	338,101	-	338,101
Public Works	-	593,283	-	593,283
Health	20,000	13,697	-	33,697
Capital Outlay	233	5,525	\$43,157	48,915
<i>Total Cash Disbursements</i>	<u>119,617</u>	<u>950,606</u>	<u>43,157</u>	<u>1,113,380</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(17,226)	92,482	(43,157)	32,099
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	16,456	100,000	42,890	159,346
Transfers Out	(100,000)	(42,890)	(16,456)	(159,346)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(83,544)</u>	<u>57,110</u>	<u>26,434</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(100,770)	149,592	(16,723)	32,099
<i>Fund Cash Balances, January 1</i>	<u>212,007</u>	<u>495,525</u>	<u>286,706</u>	<u>994,238</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	645,117	-	645,117
Committed	-	-	269,983	269,983
Assigned	7,756	-	-	7,756
Unassigned	103,481	-	-	103,481
<i>Fund Cash Balances, December 31</i>	<u>\$111,237</u>	<u>\$645,117</u>	<u>\$269,983</u>	<u>\$1,026,337</u>

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

**OSNABURG TOWNSHIP  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH 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)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$31,901	\$576,130	-	\$608,031
Charges for Services	-	108,017	-	108,017
Licenses, Permits and Fees	18,498	13,859	-	32,357
Intergovernmental	51,472	277,857	-	329,329
Earnings on Investments	1,537	183	-	1,720
Miscellaneous	220	27,185	-	27,405
<i>Total Cash Receipts</i>	<u>103,628</u>	<u>1,003,231</u>	<u>-</u>	<u>1,106,859</u>
<b>Cash Disbursements</b>				
Current:				
General Government	94,266	-	-	94,266
Public Safety	-	322,330	-	322,330
Public Works	-	668,635	-	668,635
Health	19,330	13,272	-	32,602
Capital Outlay	-	24,880	\$15,000	39,880
<i>Total Cash Disbursements</i>	<u>113,596</u>	<u>1,029,117</u>	<u>15,000</u>	<u>1,157,713</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(9,968)	(25,886)	(15,000)	(50,854)
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	100,000	-	115,000	215,000
Transfers Out	(60,000)	(55,000)	(100,000)	(215,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>40,000</u>	<u>(55,000)</u>	<u>15,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	30,032	(80,886)	-	(50,854)
<i>Fund Cash Balances, January 1</i>	<u>181,975</u>	<u>576,392</u>	<u>286,706</u>	<u>1,045,073</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	495,506	-	495,506
Committed	-	-	286,706	286,706
Unassigned	212,007	-	-	212,007
<i>Fund Cash Balances, December 31</i>	<u>\$212,007</u>	<u>\$495,506</u>	<u>\$286,706</u>	<u>\$994,219</u>

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

**Osnaburg Township**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Osnaburg 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, cemetery maintenance, fire protection and emergency medical services.

***Jointly Governed Organizations***

The Township participates in the Stark County Regional Planning Commission and the HOPE Committee, both jointly governed organizations. Note 9 to the financial statements provides additional information for these entities.

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. 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 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 to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

***Fire District Fund*** The fire district fund accounts for and reports the receipt of voted millage, donations and fees to provide and maintain firefighting equipment, buildings, sites and services for operation of the Township Fire Department.

***Road District Fund*** The road district fund accounts for and reports the receipt of property tax money for constructing, maintaining, and repairing Township roads.

**Osnaburg Township**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

**Miscellaneous Capital Project TWP Building Repair Fund** The miscellaneous capital projects twp building repair fund accounts for and reports the receipt of General Fund transfers to accumulate funds for future capital improvements and to purchase equipment for the Township's use.

**Miscellaneous Capital Projects Heart Monitors Fund** The miscellaneous capital projects heart monitors fund accounts for and reports the receipt of General Fund transfers to accumulate funds for future capital improvements and to purchase equipment for the Township's use.

***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 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 disbursements when a commitment is made (i.e., when an encumbrance is approved).

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

***Budgetary Process***

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

**Appropriations** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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 Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**Osnaburg Township**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***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.

***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 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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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

**Osnaburg Township**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

**Note 2 – Summary of Significant Accounting Policies (continued)**

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 years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 89,306	\$ 118,847	\$ 29,541
Special Revenue	1,088,614	1,143,088	54,474
Capital Projects	-	42,890	42,890

2016 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 276,000	\$ 219,982	\$ 56,018
Special Revenue	1,216,800	995,442	221,358
Capital Projects	100,260	59,613	40,647

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 184,949	\$ 203,628	\$ 18,679
Special Revenue	1,099,863	1,003,231	(96,632)
Capital Projects	-	115,000	115,000

2015 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 225,743	\$ 173,596	\$ 52,147
Special Revenue	1,289,533	1,084,117	205,416
Capital Projects	117,500	115,000	2,500

**Osnaburg Township**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**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 at December 31 was as follows:

	2016	2015
Demand deposits	\$ 1,026,337	\$ 994,219

***Deposits***

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

**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.

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.

**Note 6 - Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

***Risk Pool Membership***

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), 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.

**Osnaburg Township**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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

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 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 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, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

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>2015</u>	<u>2014</u>
\$11,248	\$12,255

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.

**Osnaburg Township**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, 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.

***Social Security***

The Township's part time firefighters contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

**Note 8 – Postemployment Benefits**

OPERS offers 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.

**Note 9 - Jointly Governed Organizations**

The Township is associated with the Stark County Regional Planning Commission, (the Commission) a jointly governed organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. The Township contributed \$250 in 2016 and \$5,993 in 2015 to the Regional Planning Commission.

The Township is associated with Help Osnaburg Prosper Economically, Inc., (HOPE), a jointly governed organization. HOPE is a non-profit corporation formed for the purpose of promoting economic development within Osnaburg Township and the Village of East Canton in Stark County. HOPE is jointly governed by a four-member Board of Directors elected by the 30 standing committee members made up of individuals from the community and government leaders. The Township did not contribute financially to HOPE during 2016 or 2015.

**Osnaburg Township**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 10 – Contingent Liabilities**

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

**Note 11 – Prior Period Adjustment**

Voided checks caused the following restatements to the prior years’ fund balances:

	Special Revenue Fund
Fund cash balance, December 31, 2014	\$576,377
Adjustments	15
Fund Cash Balance January 1, 2015	\$576,392
Fund cash balance, December 31, 2015	\$495,506
Adjustments	19
Fund Cash Balance January 1, 2016	\$495,525

**Note 12 – Transfers**

The General Fund made transfers to various Capital Projects funds to subsidize the operation of ongoing projects. The Fire Fund made transfers to a Capital Project fund for the purpose of purchasing a new fire truck. The Fire and Rescue Fund made transfers to a Capital Project fund for the purpose of purchasing new heart monitors. Various Capital Project funds transferred money to the General Fund due to the closure of two Capital Project funds as approved by the Stark County Prosecutor after completion of the associated project.

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

Osnaburg Township  
Stark County  
7115 Hillvale Street  
East Canton, Ohio 44730

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 Osnaburg Township, Stark County, (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 May 15, 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 described in the accompanying schedule of findings to be a material weakness.

***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*.

***Entity's Response to Finding***

The Township's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the Township's response and, accordingly, we express no opinion on it.

***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.



***Charles E. Harris & Associates, Inc.***  
May 15, 2017

OSNABURG TOWNSHIP  
STARK 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 – Material Weakness**

**Fund balance classification and recording of transactions**

The Governmental Accounting Standards Board (GASB) Statement No. 54 definition of five fund balance classifications is stated in Note 2. The Township did not properly classify its fund balances in accordance with GASB 54. The Capital Projects funds (Heart monitors, new roof fire station, repair to Township hall) were all classified with a restricted fund balance instead of a committed fund balance. In addition, the Township recorded one expense transaction during 2016 as “Other” instead of Capital Outlay for \$24,000 that was adjusted in the accompanying financial statements. Finally, the Township budgetary footnotes were modified due to the client presenting information that was not final for the budgeted amounts in Note 3.

Failure to report transactions correctly results in the financial statements not being accurately presented. We recommend that the Fiscal Officer follow GASB 54 fund balance classifications and refer to the Ohio Township Handbook and UAN accounting system to properly classify its transactions. In addition, we recommend the Fiscal Officer review all financial reports compiled by UAN to ensure their accuracy including the budgetary information.

**Management Response:**

See Corrective Action Plan.

**OSNABURG TOWNSHIP  
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Years Ended December 31, 2016 and 2015**

The prior audit report, for the years ending December 31, 2014 and 2013, reported no material citations or recommendations.

**OSNABURG TOWNSHP  
STARK COUNTY**

**CORRECTIVE ACTION PLAN  
For the Years Ended December 31, 2016 and 2015**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	<p><b>In regards to incorrect recording on transaction (recorded \$23,907 as Other instead of capital outlay)</b> While creating this capital fund in UAN accounting Software for this Capital fund I used an incorrect program code classification 710 which means "other" this program code should have been 760 "Capital outlay" I have contacted UAN support on the procedures I will need to do to correct this error in the future and follow UAN, Auditor of State GASB 54 and Local Government's recommendation on the proper way to correct.</p> <p><b>In regards to incorrect GASB 54 fund presentation(Committed versus Restricted in Capital Project)</b> I mistakenly place Capital fund 4910 Heart monitor fund as Restricted on my year end footnotes and UAN software input for yearend 2016 this Capital fund 4910 Heart monitor \$23,907.00 should have been reflected as committed. This was my first time since I became Fiscal Officer to prepare yearend footnotes and I had a Firm help me. I missed correctly classifying this Capital fund as committed instead of restricted on year end reporting.</p>	Immediately	Brian Lowery, Fiscal Officer

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# Dave Yost • Auditor of State

OSNABURG 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  
AUGUST 15, 2017