



Dave Yost • Auditor of State

**MANTUA TOWNSHIP
PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mantua Township
Portage County
PO Box 841
Mantua, OH 44255

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Mantua Township, Portage County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Mantua Township, Portage County as of December 31, 2017 and 2016, for the year 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 30, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 30, 2018

Mantua Township
Portage County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$137,943	\$311,940	\$0	\$449,883
Charges for Services	141	0	0	141
Licenses, Permits and Fees	34,765	24,475	0	59,240
Intergovernmental	58,245	164,513	0	222,758
Earnings on Investments	1,137	277	17	1,431
Miscellaneous	43,392	14,490	61,284	119,166
<i>Total Cash Receipts</i>	<u>275,623</u>	<u>515,695</u>	<u>61,301</u>	<u>852,619</u>
Cash Disbursements				
Current:				
General Government	145,609	9,962	0	155,571
Public Works	295	337,425	0	337,720
Health	0	20,390	0	20,390
Conservation-Recreation	10,266	0	0	10,266
Capital Outlay	8,838	61,971	0	70,809
<i>Total Cash Disbursements</i>	<u>165,008</u>	<u>429,748</u>	<u>0</u>	<u>594,756</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>110,615</u>	<u>85,947</u>	<u>61,301</u>	<u>257,863</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses	0	0	(28,075)	(28,075)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>(28,075)</u>	<u>(28,075)</u>
<i>Net Change in Fund Cash Balances</i>	110,615	85,947	33,226	229,788
<i>Fund Cash Balances, January 1</i>	<u>195,775</u>	<u>502,987</u>	<u>40,263</u>	<u>739,025</u>
Fund Cash Balances, December 31				
Restricted	0	588,934	73,489	662,423
Assigned	3,283	0	0	3,283
Unassigned (Deficit)	303,107	0	0	303,107
<i>Fund Cash Balances, December 31</i>	<u>\$306,390</u>	<u>\$588,934</u>	<u>\$73,489</u>	<u>\$968,813</u>

See accompanying notes to the basic financial statements

Mantua Township
Portage County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2017

	Fiduciary Fund Types		Totals (Memorandum Only)
	Agency	Private Purpose Trust	
Operating Cash Receipts			
Earnings on Investments (trust funds only)	\$0	\$5	\$5
<i>Total Operating Cash Receipts</i>	0	5	5
<i>Operating Income (Loss)</i>	0	5	5
<i>Net Change in Fund Cash Balances</i>	0	5	5
<i>Fund Cash Balances, January 1</i>	15	2,765	2,780
<i>Fund Cash Balances, December 31</i>	\$15	\$2,770	\$2,785

See accompanying notes to the basic financial statements

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Mantua Township, Portage County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, maintenance of Township road and bridges, and cemetery maintenance. The Township contracts with the Mantua-Shalersville Fire District to provide fire services and emergency medical services. The Township also contracts with the Portage County Sheriff to provide police protection.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in one jointly governed organization and a public entity risk pool. Notes 6 and 10 to the financial statements provides additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Road & Bridge/Road Levy The Road and Bridge Fund and the Road Levy Fund revenues are derived from property taxes collected. These funds account for the major operations of the Road Department, and represent over 63% of the funds expended for Township operations.

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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:

Mantua Center School Fund – The Township received a grant from the state for an elevator project at the Mantua Center School building. The proceeds are restricted for this project.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township’s own programs.

The Township’s private purpose trust funds are for the benefit of certain individuals.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township’s agency fund accounts for unclaimed monies.

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the legal level of control, as approved by the Township Trustees, 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 re-appropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2017 budgetary activity appears in Note 4.

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

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

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

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$224,306	\$275,623	\$51,317
Special Revenue	537,930	515,695	(22,235)
Capital Projects	140,000	61,301	(78,699)
Total	\$902,236	\$852,619	(\$49,617)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$261,732	\$168,291	\$93,441
Special Revenue	626,184	438,179	188,005
Capital Projects	30,000	55,389	(25,389)
Total	\$917,916	\$661,859	\$256,057

Note 4 – Deposits and Investments

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

Demand deposits	2017 \$490,804
Other time deposits (savings and NOW accounts)	480,794
Total deposits	971,598

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.

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

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 Revised 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

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, 2017.

	<u>2017</u>
Assets	\$14,853,630
Liabilities	<u>(9,561,108)</u>
Members’ Equity	<u>\$ 5,292,512</u>

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

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2017.

Note 9 – Debt

Leases

The Township leases buildings, vehicles and other equipment under noncancelable leases. The Township disbursed \$32,598 to pay lease costs for the year ended December 31, 2017.

Amortization

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

Year Ending December 31:	Leases
2018	32,598
2019	32,598
2020	32,598
Total	<u>\$97,794</u>

Note 10 – Jointly Governed Organizations

The Township participates in one jointly governed organization. This organization is the Mantua-Shalersville Fire District. This Fire District consists of Mantua Township, Mantua Village and Shalersville Township. The Fire District is supported by its own property tax levies and is governed by a three member Board of Trustees. Each member community appoints one Trustee. The Fire District also employs its own Fiscal Officer to oversee its finances.

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$133,801	\$302,215	\$0	\$436,016
Charges for Services	685	0	0	685
Licenses, Permits and Fees	32,844	16,401	0	49,245
Intergovernmental	55,630	156,913	0	212,543
Earnings on Investments	1,333	343	35	1,711
Miscellaneous	19,439	5,243	0	24,682
<i>Total Cash Receipts</i>	<u>243,732</u>	<u>481,115</u>	<u>35</u>	<u>724,882</u>
Cash Disbursements				
Current:				
General Government	143,507	10,479	0	153,986
Public Works	1,588	449,617	0	451,205
Health	0	17,945	0	17,945
Conservation-Recreation	11,022	0	0	11,022
Capital Outlay	13,787	6,919	0	20,706
<i>Total Cash Disbursements</i>	<u>169,904</u>	<u>484,960</u>	<u>0</u>	<u>654,864</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>73,828</u>	<u>(3,845)</u>	<u>35</u>	<u>70,018</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	6,900	20,062	26,962
Transfers Out	(16,900)	0	(10,062)	(26,962)
Advances In	0	0	20,000	20,000
Advances Out	(20,000)	0	0	(20,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(36,900)</u>	<u>6,900</u>	<u>30,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	36,928	3,055	30,035	70,018
<i>Fund Cash Balances, January 1</i>	<u>158,847</u>	<u>499,932</u>	<u>10,228</u>	<u>669,007</u>
Fund Cash Balances, December 31				
Restricted	0	502,987	40,263	543,250
Assigned	2,512	0	0	2,512
Unassigned (Deficit)	193,263	0	0	193,263
<i>Fund Cash Balances, December 31</i>	<u>\$195,775</u>	<u>\$502,987</u>	<u>\$40,263</u>	<u>\$739,025</u>

See accompanying notes to the basic financial statements

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

	Fiduciary Fund Types		Totals (Memorandum Only)
	Agency	Private Purpose Trust	
Operating Cash Receipts			
Earnings on Investments (trust funds only)	\$0	\$5	\$5
<i>Total Operating Cash Receipts</i>	<u>0</u>	<u>5</u>	<u>5</u>
Operating Cash Disbursements			
Other	<u>0</u>	<u>9</u>	<u>9</u>
<i>Total Operating Cash Disbursements</i>	<u>0</u>	<u>9</u>	<u>9</u>
<i>Operating Income (Loss)</i>	<u>0</u>	<u>(4)</u>	<u>(4)</u>
<i>Net Change in Fund Cash Balances</i>	0	(4)	(4)
<i>Fund Cash Balances, January 1</i>	<u>15</u>	<u>2,769</u>	<u>2,784</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$15</u></u>	<u><u>\$2,765</u></u>	<u><u>\$2,780</u></u>

See accompanying notes to the basic financial statements

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Mantua Township, Portage County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Mantua-Shalersville Fire District to provide fire services and emergency medical services. The Township also contracts with the Portage County Sheriff to provide police protection.

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Road & Bridge/Road Levy The Road and Bridge Fund and the Road Levy Fund revenues are derived from property taxes collected. These funds account for the major operations of the Road Department, and represent over 63% of the funds expended for Township operations.

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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:

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Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township’s own programs.

The Township’s private purpose trust funds are for the benefit of certain individuals.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township’s agency fund accounts for unclaimed monies.

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the legal 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 re-appropriated.

A summary of 2016 budgetary activity appears in Note 4.

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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

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

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

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$285,277	\$243,732	(\$41,545)
Special Revenue	499,867	488,015	(11,852)
Capital Projects	50,010	40,097	(9,913)
Total	\$835,154	\$771,844	(63,310)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$331,954	\$209,316	\$122,638
Special Revenue	767,285	492,523	274,762
Capital Projects	45,000	10,062	34,938
Total	\$1,144,239	\$711,901	\$432,338

Note 4 – Deposits and Investments

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

Demand deposits	\$262,447
Other time deposits (savings and NOW accounts)	479,359
Total deposits	741,806

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.

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

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 Revised 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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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, 2016.

	<u>2016</u>
Assets	\$14,765.712
Liabilities	<u>(9,531,506)</u>
Members’ Equity	<u>\$ 5,234,206</u>

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

Mantua Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Debt

Leases

The Township leases buildings, vehicles and other equipment under noncancelable leases. The Township disbursed \$32,598 to pay lease costs for the year ended December 31, 2016.

Amortization

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

Year Ending December 31:	Leases
2017	\$32,598
2018	32,598
2019	32,598
2020	32,598
Total	<u>\$130,392</u>

Note 10 – Jointly Governed Organizations

The Township participates in one jointly governed organization. This organization is the Mantua-Shalersville Fire District. This Fire District consists of Mantua Township, Mantua Village and Shalersville Township. The Fire District is supported by its own property tax levies and is governed by a three member Board of Trustees. Each member community appoints one Trustee.

The Fire District also employs its own Fiscal Officer to oversee its finances.



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*

Mantua Township
Portage County
PO Box 841
Mantua, OH 44255

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 Mantua Township, Portage County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 30, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

November 30, 2018

MANTUA TOWNSHIP
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

1. Budgetary Activity Note & Posting Budgetary Amounts

<i>Finding Number</i>	2017-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

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

Additionally, sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not post the amended appropriations and estimated resources to the accounting system. Failure to accurately post the amended appropriations and estimated resources resulted in inaccurate reporting of the budgetary information in the financial statements. The following errors were noted in Note 4 of the financial statements regarding "Budgetary Activity."

During 2016:

- General Fund, Special Revenue Fund and Capital Projects Fund budgeted receipts were reported at \$278,267, \$483,357 and \$0, rather than \$285,277, \$499,867, and \$50,010 respectively, which agrees to the Amended Official Certificate of Estimated Resources.
- Capital Projects Fund actual receipts were reported at \$0, rather than \$40,097 which agrees to the Township's accounting system.
- Special Revenue Fund actual budgetary expenditures were reported at \$460,288 rather than \$492,523, which agrees to the Township's accounting system.

During 2017:

- Special Revenue Fund and Capital Projects Fund budgeted receipts were reported at \$535,724 and \$0, rather than \$537,930 and \$140,000 respectively, which agrees to the Amended Official Certificate of Estimated Resources.
- Capital Projects Fund actual receipts were reported at \$0 rather than \$61,301 which agrees to the Township's accounting system.
- General Fund and Special Revenue Fund actual budgetary expenditures were reported at \$165,009 and \$429,746 rather than \$168,292 and \$438,179 respectively, which agrees to the Township's accounting system.
- Capital Projects Fund actual budgetary expenditures were reported at \$28,075 rather than correct amount of \$55,389. This was the result of a \$27,314 disbursement that was improperly excluded from outstanding encumbrances at fiscal year-end. This also led to non-compliance with Ohio Rev. Code §5705.41(B), which prohibits a subdivision from expending money unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Township may not exceed appropriations at the legal level for all funds. The Township's budgetary expenditures exceeded appropriations for the Capital Improvement Fund by \$25,389.

Budgetary information disclosed in the notes to the financial statements should reflect the Township's actual budgetary activity through the fiscal year. The errors were caused by a lack of management procedures or policies in place to help ensure the accurate presentation of note disclosure information and management's failure to post the amended budgetary activity to the accounting system.

The Township's budgetary information within Note 4 of the financial statements has been corrected for the above errors.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Additionally, management should implement procedures or policies to help ensure complete and accurate reporting of the financial statements and accompanying notes. The procedures should include the Fiscal Officer's, or an appointed representative's, review of the Township's year-end financial statements and notes to the financial statements for accuracy, reasonableness and consistency between years.

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

2. Misclassification of Receipts

<i>Finding Number</i>	2017-002
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MATERIAL WEAKNESS

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

The Township had the following homestead and rollback revenues misclassified between funds:

- During 2016, homestead and rollback receipts were improperly posted to the General Fund, rather than the Road & Bridge Fund, which resulted in an overstatement of General Fund property and other local taxes receipts and an understatement of Road & Bridge Fund intergovernmental receipts, in the amount of \$11,432 in the accounting system.
- Also during 2016, homestead and rollback receipts were improperly posted to the General Fund, rather than the Road Levy Fund, which resulted in an overstatement of General Fund Property and Other Local Taxes and an understatement of Road Levy Fund intergovernmental receipts, in the amount of \$10,947 in the accounting system.

These errors resulted in General Fund property and other local taxes receipts being overstated and the Special Revenue intergovernmental receipts being understated by \$22,379 on the financial statements.

The Township also had the following mispostings of receipts:

2016

- Misclassification of gasoline tax receipts resulted in an overstatement of General Fund intergovernmental receipts and an understatement of Special Revenue intergovernmental receipts, in the amount of \$4,653.
- Misclassification of license tax receipts resulted in an overstatement of General Fund intergovernmental receipts and an understatement of Special Revenue intergovernmental receipts, in the amount of \$453.
- Misclassification of a gasoline tax receipt totaling \$2,471. This had no financial statement impact, however Gasoline Tax Fund receipts were understated and Permissive Tax Fund receipts were overstated in the accounting system.
- Misclassification of a license tax receipt totaling \$2,576. This had no financial statement impact, however License Tax Fund receipts were understated and Permissive Tax Fund receipts were overstated in the accounting system.
- Misclassification of a permissive tax receipt totaling \$3,230. This had no financial statement impact, however Permissive Tax Fund receipts were understated and Gasoline Tax Fund receipts were overstated in the accounting system.

- Misclassification of a permissive tax receipt totaling \$4,323. This had no financial statement impact, however Permissive Tax Fund receipts were understated and License Tax Fund receipts were overstated in the accounting system.

2017

- Misclassification of a permissive tax receipt totaling \$1,769. This had no financial statement impact, however Permissive Tax Fund receipts were understated and License Tax Fund receipts were overstated in the accounting system.

Additionally, the Township had the following misclassifications of receipts recorded within the appropriate fund:

2016

- Misclassification of homestead and rollback receipts. This resulted in an overstatement of General Fund property and other local taxes receipts and an understatement of intergovernmental receipts of \$19,839
- Misclassification of homestead and rollback receipts. This resulted in an overstatement of Special Revenue Fund property and other local taxes receipts and an understatement of intergovernmental receipts of \$22,469.
- Misclassification of miscellaneous receipts resulted in an overstatement of General Fund intergovernmental receipts and an understatement of Miscellaneous receipts of \$1,210.

2017

- Misclassification of homestead and rollback receipts resulted in an overstatement of General Fund property and other local taxes receipts and an understatement of intergovernmental receipts, in the amount of \$10,037.
- Misclassification of homestead and rollback receipts resulted in an overstatement of Special Revenue Fund property and other local taxes receipts and an understatement of intergovernmental receipts, in the amount of \$22,683.

Additional immaterial mispostings were communicated to the Township.

These errors were caused by a lack of internal controls related to the posting of receipts.

The Township corrected the financial statements and accounting records (when applicable) for the above errors.

To help ensure complete and accurate financial reporting, the Fiscal Officer should closely monitor all receipts to ensure amounts are posted to the proper accounts. In addition, the Fiscal Officer should refer to the Ohio Township Handbook to help ensure proper accounts are being used.

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



Dave Yost • Auditor of State

MANTUA TOWNSHIP

PORTAGE 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
DECEMBER 27, 2018**