



**DEFIANCE TOWNSHIP  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



DEFIANCE TOWNSHIP  
DEFIANCE COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Defiance Township  
Defiance County  
1585 South Clinton Street  
Defiance, Ohio 43512-3263

To the Board of Trustees:

We have audited the accompanying financial statements of Defiance Township, Defiance County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

July 31, 2001

**DEFIANCE TOWNSHIP  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Local Taxes	\$21,335	\$56,824	\$78,159
Intergovernmental	77,412	65,643	143,055
Licenses, Permits, and Fees	30,051		30,051
Earnings on Investments	2,287	1,022	3,309
Other Revenue	5,023	285	5,308
 Total Cash Receipts	 136,108	 123,774	 259,882
<b>Cash Disbursements:</b>			
Current:			
General Government	74,691		74,691
Public Safety	57,664		57,664
Public Works	12,000	34,290	46,290
Health	11,056		11,056
Miscellaneous		18,207	18,207
 Total Cash Disbursements	 155,411	 52,497	 207,908
 Total Cash Receipts Over/(Under) Cash Disbursements	 (19,303)	 71,277	 51,974
<b>Other Financing Receipts/(Disbursements):</b>			
Advances-In		3,205	3,205
Advances-Out	(3,205)		(3,205)
 Total Other Financing Receipts/(Disbursements)	 (3,205)	 3,205	 
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (22,508)	 74,482	 51,974
 Fund Cash Balances, January 1	 47,591	 84,609	 132,200
 <b>Fund Cash Balances, December 31</b>	 <b>\$25,083</b>	 <b>\$159,091</b>	 <b>\$184,174</b>

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

**DEFIANCE TOWNSHIP  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$14,063	\$46,682	\$60,745
Intergovernmental	54,367	62,382	116,749
Licenses, Permits, and Fees	20,831		20,831
Earnings on Investments	2,066		2,066
Other Revenue	5,573		5,573
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	96,900	109,064	205,964
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	37,370		37,370
Public Safety	46,776		46,776
Public Works		24,958	24,958
Health	6,710		6,710
Miscellaneous		28,428	28,428
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	90,856	53,386	144,242
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	6,044	55,678	61,722
Fund Cash Balances, January 1	41,547	28,931	70,478
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$47,591</u></b>	<b><u>\$84,609</u></b>	<b><u>\$132,200</u></b>

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



**DEFIANCE TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Defiance Township, Defiance County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance. The Township contracts with the City of Defiance to provide fire services and emergency medical services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Demand deposits are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

*Gasoline Tax Fund* - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**DEFIANCE TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of demand deposits at December 31, 2000 and 1999, were \$184,174 and \$132,200, respectively. Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999, follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,905	\$136,108	\$30,203
Special Revenue	117,900	123,774	5,874
Total	\$223,805	\$259,882	\$36,077

**DEFIANCE TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General		\$155,411	(\$155,411)
Special Revenue		52,497	(52,497)
Total		<u>\$207,908</u>	<u>(\$207,908)</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$101,833	\$96,900	(\$4,933)
Special Revenue	109,713	109,064	(649)
Total	<u>\$211,546</u>	<u>\$205,964</u>	<u>(\$5,582)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General		\$90,856	(\$90,856)
Special Revenue		53,386	(53,386)
Total		<u>\$144,242</u>	<u>(\$144,242)</u>

The Township Trustees did not pass an annual appropriation measure for 2000 or 1999, contrary to Ohio Revised Code § 5705.38.

Expenditures exceeded appropriations in 2000 and 1999 in all funds, contrary to Ohio Revised Code § 5705.41(B).

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**DEFIANCE TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The PERS contribution rate for 2000 represents a temporary rate reduction from the 1999 rate of 13.55 percent. The Township has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Township is a member of the Ohio Government Risk Management Plan (the Plan). The Plan assumes the risk of loss up to the limits of the Township's policy. The Plan may assess supplemental premiums. The following risks are covered by the Plan:

- General liability and casualty;
- Public officials' liability;
- Vehicle; and
- Property damage.

The Township also provides health insurance and dental and vision coverage to employees through a private carrier.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Defiance Township  
Defiance County  
1585 South Clinton Street  
Defiance, Ohio 43512-3263

To the Board of Trustees:

We have audited the financial statements of Defiance Township, Defiance County, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 31, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-40120-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 31, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 31, 2001.

Defiance Township  
Defiance County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

July 31, 2001

DEFIANCE TOWNSHIP  
DEFIANCE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-40120-001

Noncompliance Citation

Ohio Revised Code § 5705.38 requires each subdivision to pass an annual appropriation measure on or about the first day of the fiscal year. There was no evidence to indicate that the Township Trustees had made any appropriations for 1999. In addition, there was no evidence to indicate the appropriation measure was approved by the Trustees in 2000. We recommend that the annual appropriation measure, and any amendments made throughout the year, be formally approved by the Trustees and documented in the Township's minutes.

Also, Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Since the Township did not appropriate its funds, actual expenditures exceeded appropriations for all funds by the following amounts:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>2000</u>			
General Fund		\$155,411	(\$155,411)
Motor Vehicle License Tax Fund		4,990	(4,990)
Gasoline Tax Fund		22,706	(22,706)
Road and Bridge Fund		24,802	(24,802)
<u>1999</u>			
General Fund		90,856	(90,856)
Motor Vehicle License Tax Fund		4,864	(4,864)
Gasoline Tax Fund		33,354	(33,354)
Road and Bridge Fund		10,667	(10,667)
Permissive Tax		4,500	(4,500)

We recommend that expenditures and appropriations be frequently and routinely reviewed by the Trustees using Uniform Accounting Network (UAN) reports provided by the clerk. If necessary, adjustments should be made to prevent expenditures from exceeding appropriations. These adjustments should be formally approved by the Trustees in the minutes and the Clerk should only make amendments to the UAN appropriations ledger based on these formally documented approvals.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**DEFIANCE TOWNSHIP**

**DEFIANCE 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 21, 2001**