



Dave Yost • Auditor of State



EDEN TOWNSHIP  
SENECA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Eden Township  
Seneca County  
3223 County Road 6  
P.O. Box 71  
Melmore, Ohio 44845-0071

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 Eden Township, Seneca 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 years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Eden Township, Seneca County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 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 7, 2018

**Eden Township**  
Seneca County

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

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$26,172	\$203,240			\$229,412
Licenses, Permits and Fees	1,075				1,075
Intergovernmental	30,497	124,712		\$30,409	185,618
Special Assessments		3,106			3,106
Earnings on Investments	726	440			1,166
Miscellaneous	6,153	4,893			11,046
<i>Total Cash Receipts</i>	<u>64,623</u>	<u>336,391</u>		<u>30,409</u>	<u>431,423</u>
<b>Cash Disbursements</b>					
Current:					
General Government	87,675				87,675
Public Works		234,528			234,528
Health	14,079				14,079
Capital Outlay		49,562		30,409	79,971
Debt Service:					
Principal Retirement			\$8,286		8,286
Interest and Fiscal Charges			1,166		1,166
<i>Total Cash Disbursements</i>	<u>101,754</u>	<u>284,090</u>	<u>9,452</u>	<u>\$30,409</u>	<u>425,705</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,131)</u>	<u>52,301</u>	<u>(9,452)</u>		<u>5,718</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In			9,452		9,452
Transfers Out		(9,452)			(9,452)
<i>Total Other Financing Receipts (Disbursements)</i>		<u>(9,452)</u>	<u>\$9,452</u>		
<i>Net Change in Fund Cash Balances</i>	(37,131)	42,849			5,718
<i>Fund Cash Balances, January 1</i>	<u>110,495</u>	<u>374,949</u>			<u>485,444</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		216,276			216,276
Committed		201,522			201,522
Assigned	65,014				65,014
Unassigned	8,350				8,350
<i>Fund Cash Balances, December 31</i>	<u>\$73,364</u>	<u>\$417,798</u>			<u>\$491,162</u>

See accompanying notes to the basic financial statements.

**Eden Township  
Seneca 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 Eden Township, Seneca County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Sycamore Volunteer Fire Department to provide fire and ambulance services. The Township also contracts with Tiffin Fire/EMS for ambulance service to the northwest corner of the Township. The Seneca County Sherriff's Department provides police services.

The Township participates in two public entity risk pools. Notes 6 and 10 to the financial statements provide 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.

***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:

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

***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.

***Fire Levy Fund*** This fund receives property tax money to pay for fire services for Township residents.

***EMS Levy Fund*** This fund receives property tax money to pay for EMS services for Township residents.

***Special Assessments – Melmore Street Lightening*** This fund collects an assessment from residents that utilize the street lights within the Village of Melmore.



**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

**Debt Service Fund** This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

**Bond Retirement Fund** This fund receives transfers to pay the Township's debt obligations.

**Capital Project Fund** This fund accounts for and reports 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 Fund:

**Issue I Fund** The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

**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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

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

**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 2017 budgetary activity appears in Note 3.

**Deposits and Investments**

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

Money market mutual funds are recorded at share values the mutual funds report.

**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

2017 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,621	\$64,623	\$2
Special Revenue	336,316	336,391	75
Debt Service	9,452	9,452	
Capital Projects	30,409	30,409	
Total	\$440,798	\$440,875	\$77

2017 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,754	\$101,754	
Special Revenue	293,542	293,542	
Debt Service	9,452	9,452	
Capital Projects	30,409	30,409	
Total	\$435,157	\$435,157	

**Note 4 – Deposits**

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

	2017
Demand deposits	\$491,162

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

**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.

**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.

**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	<b>2017</b>
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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.

<b><u>2017 Contributions to OTARMA</u></b> \$8,829
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**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

The Township's 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 1.0 percent during calendar year 2017.

**Note 9 – Debt**

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Township Building Construction Bonds	<u>\$37,133</u>	<u>2.8%</u>

The Township issued general obligation bonds to finance constructing and equipping a Township building for fire protection services. The Bonds are uncollateralized.

***Amortization***

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

**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

Year Ending December 31:	Township Building Construction Bonds
2018	\$9,452
2019	9,452
2020	9,452
2021	9,452
2022	2,363
Total	<u>\$40,171</u>

**Note 10 – Public Entity Risk Pool**

The Township participates in the Care Works Comp Group Rating Plan for worker's compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Eden Township**  
Seneca County

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

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$24,221	\$164,808			\$189,029
Licenses, Permits and Fees	1,980				1,980
Intergovernmental	33,340	126,902		\$25,022	185,264
Special Assessments		3,877			3,877
Earnings on Investments	795	451			1,246
Miscellaneous	555	2,423			2,978
<i>Total Cash Receipts</i>	<u>60,891</u>	<u>298,461</u>		<u>25,022</u>	<u>384,374</u>
<b>Cash Disbursements</b>					
Current:					
General Government	90,193				90,193
Public Works		235,187			235,187
Health	13,815				13,815
Capital Outlay		39,069		25,022	64,091
Debt Service:					
Principal Retirement			\$8,058		8,058
Interest and Fiscal Charges			1,394		1,394
<i>Total Cash Disbursements</i>	<u>104,008</u>	<u>274,256</u>	<u>9,452</u>	<u>\$25,022</u>	<u>412,738</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(43,117)</u>	<u>24,205</u>	<u>(9,452)</u>		<u>(28,364)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In			9,452		9,452
Transfers Out		(9,452)			(9,452)
<i>Total Other Financing Receipts (Disbursements)</i>		<u>(9,452)</u>	<u>\$9,452</u>		
<i>Net Change in Fund Cash Balances</i>	<u>(43,117)</u>	<u>14,753</u>			<u>(28,364)</u>
<i>Fund Cash Balances, January 1</i>	<u>153,612</u>	<u>360,196</u>			<u>513,808</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		193,932			193,932
Committed		181,017			181,017
Assigned	37,133				37,133
Unassigned	73,362				73,362
<i>Fund Cash Balances, December 31</i>	<u>\$110,495</u>	<u>\$374,949</u>			<u>\$485,444</u>

See accompanying notes to the basic financial statements.

**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016**

**Note 1 – Reporting Entity**

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**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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***Special Assessments – Melmore Street Lightening*** This fund collects an assessment from residents that utilize the street lights within the Village of Melmore.



**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

**Miscellaneous Fund – Recycling** This fund was started from allotted monies from the Joint Solid Waste Management District to host recycling once a month and the sale of recyclables. Currently that program has been terminated and this fund no longer receives any revenues on a regular basis from these sources.

**Debt Service Fund** This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

**Bond Retirement Fund** This fund receives transfers to pay the Township's debt obligations.

**Capital Project Fund** This fund accounts for and reports 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 Fund:

**Issue I Fund** The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

**Basis of Accounting**

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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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

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

**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 2016 budgetary activity appears in Note 3.

**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(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.

Money market mutual funds are recorded at share values the mutual funds report.

***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***

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***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.

**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,854	\$60,891	\$37
Special Revenue	298,478	298,461	(17)
Debt Service		9,452	9,452
Capital Projects	25,022	25,022	
Total	\$384,354	\$393,826	\$9,472

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$104,008	\$104,008	
Special Revenue	283,708	283,708	
Debt Service	9,452	9,452	
Capital Projects	25,022	25,022	
Total	\$422,190	\$422,190	

**Note 4 – Deposits**

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

	2016
Demand deposits	\$485,444

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through 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.

**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

**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.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

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

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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.

**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

<b><u>2016 Contributions to OTARMA</u></b> \$8,958
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After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

The Township's 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**

Debt outstanding at December 31, 2016, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Township Building Construction Bonds	\$45,419	2.8%

The Township issued general obligation bonds to finance constructing and equipping a Township building for fire protection services. The Bonds are uncollateralized. Contrary to section 3.30 and 3.40 of the Tax Compliance Certificate, the Township did not pay the debt from the Bond Fund. The financial statements were adjusted to correct this error.

***Amortization***

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

**Eden Township  
Seneca County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

Year Ending December 31:	Township Building Construction Bonds
2017	\$9,452
2018	9,452
2019	9,452
2020	9,452
2021	9,452
2022	2,363
Total	<u>\$49,623</u>

**Note 10 – Public Entity Risk Pool**

The Township participates in the Care Works Comp Group Rating Plan for worker's compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.



# 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*

Eden Township  
Seneca County  
3223 County Road 6  
P.O. Box 71  
Melmore, Ohio 44845-0071

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 Eden Township, Seneca County, Ohio (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 7, 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 matter 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 "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 7, 2018



**EDEN TOWNSHIP  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Noncompliance and Material Weakness**

**Section 3.30 of the Tax Compliance Certificate pertaining to the Township Building Construction Bonds** provides that the Bond Fund is a bona fide debt service fund. Amounts deposited from time to time in the Bond Fund will be used to pay Debt Service. **Section 3.40** provides that the Township has not established and does not expect to establish or use any sinking fund, debt service fund, redemption fund, reserve or replacement fund, or similar fund, or any other fund to pay debt service other than the Bond Fund.

Contrary to the requirements above, the Township posted interest and principle expenses of \$1,394 and \$8,058, respectively, in the Fire Levy Fund in 2016 rather than in the Bond Fund.

This error was a result of inadequate policies and procedures in reviewing the financial statements. The accompanying financial statements and accounting records have been adjusted to correct these errors.

To help ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Board of Trustees and audit committee to identify and correct these errors and misclassifications.

**Officials' Response:**

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

**FINDING NUMBER 2017-002**

**Material Weakness**

**Financial Reporting**

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's management is responsible for the fair presentation of the financial statements. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires, in part, as codified at GASB Cod 1800.165 - .179, fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

Errors were noted in the financial statements, resulting in the following audit adjustments:

- Assigned fund balance in the General fund of \$37,133 in 2016 was misclassified as unassigned.
- Committed fund balance in the Special Revenue funds of \$201,522 and \$181,017 in 2017 and 2016, respectively, were misclassified as restricted for inside millage in the Road and Bridge fund.

These errors were the result of inadequate policies and procedures in reviewing the financial statements.

Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors.

To help ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Board, to identify and correct errors and omissions. The Fiscal Officer should also review the Township Handbook and Audit Bulletin 2011-004 for information on GASB Statement No. 54 and to help ensure that all accounts are being properly posted to the financial statements.

**Officials' Response:**

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

**EDEN TOWNSHIP**  
Seneca County

<b>TRUSTEES</b>		<b>FISCAL OFFICER</b>		<b>ZONING INSPECTOR</b>
Verne Shellhouse 5565 S. St. Rt. 100 Tiffin, OH 44883 419-397-2606	David Ziegler 4394 E TR 58 Bloomville, Ohio 44818 419-397-2603	Vern Morter 6909 S. TR 17 Tiffin, OH 44883 419-618-3367	Julie Vogel 4826 ECR 6 Tiffin, OH 44883 419-397-2263	Matthew Watson 3837 S. St Rt 231 Tiffin, Ohio 44883 419-934-3841

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Material weakness due to errors over financial reporting.	Not Corrected. Repeated in this report as finding 2017-002.	Fiscal Officer was unfamiliar with the fund balance classification. The Fiscal Officer will review the necessary procedures to make sure fund classifications are properly presented. The Fiscal Officer will ensure these are accounted for correctly in the future.
2015-002	Noncompliance Citation and Material Weakness Ohio Rev. Code § 3929.86(D) regarding fire demolition distribution funds.	Fully Corrected.	
2015-003	Noncompliance Citation and Material Weakness Section 3.30 of the Tax Compliance Certificate regarding debt payments from the Bond Fund.	Not Corrected. Repeated in this report as finding 2017-001.	Fiscal Officer obtained proper approval for the transfer in 2017, although the Fiscal Officer was unaware of the requirement for 2016 until after the 2015-2014 audit report was released.

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# Dave Yost • Auditor of State

**EDEN TOWNSHIP**

**SENECA COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 27, 2018**