



Dave Yost • Auditor of State



**PROVIDENCE TOWNSHIP  
LUCAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Providence Township  
Lucas County  
13257 Perry Road  
Grand Rapids, Ohio 43522

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no 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, 2016 and 2015, 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 Providence Township, Lucas County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 20, 2017

**Providence Township**

Lucas 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)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$107,736	\$348,338		\$456,074
Charges for Services		56,437		56,437
Licenses, Permits and Fees	6,315	12,171		18,486
Intergovernmental	38,561	176,131	\$208,138	422,830
Earnings on Investments	74	18		92
Miscellaneous	1,976	14,823		16,799
<i>Total Cash Receipts</i>	<u>154,662</u>	<u>607,918</u>	<u>208,138</u>	<u>970,718</u>
<b>Cash Disbursements</b>				
Current:				
General Government	128,398	23,008		151,406
Public Safety		266,572		266,572
Public Works	27,314	348,140		375,454
Health	17,042	16,475		33,517
Capital Outlay		7,500	208,138	215,638
Debt Service:				
Principal Retirement		30,568		30,568
Interest and Fiscal Charges		3,127		3,127
<i>Total Cash Disbursements</i>	<u>172,754</u>	<u>695,390</u>	<u>208,138</u>	<u>1,076,282</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(18,092)</u>	<u>(87,472)</u>		<u>(105,564)</u>
<b>Other Financing Receipts</b>				
Other Financing Sources	857	2,000		2,857
<i>Net Change in Fund Cash Balances</i>	<u>(17,235)</u>	<u>(85,472)</u>		<u>(102,707)</u>
<i>Fund Cash Balances, January 1</i>	<u>283,955</u>	<u>527,521</u>		<u>811,476</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		442,049		442,049
Assigned	80,825			80,825
Unassigned	185,895			185,895
<i>Fund Cash Balances, December 31</i>	<u>\$266,720</u>	<u>\$442,049</u>		<u>\$708,769</u>

See accompanying notes to the basic financial statements

**Providence Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Providence Township, Lucas County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

***Public Entity Risk Pools***

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

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

***Basis of Presentation***

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

***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*** The road and bridge fund accounts for property tax money restricted for maintenance and repair of roads within the Township.

***2.5 Mil Fire Special Levy Fund*** The 2.5 mil fire special levy fund accounts for property tax money restricted for fire protection.

***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 Fund:

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



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

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***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. Unencumbered appropriations lapse at year-end.

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

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

A summary of 2016 budgetary activity appears in Note 3.

***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:

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

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***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, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$147,950	\$155,519	\$7,569
Special Revenue	584,792	609,918	25,126
Capital Projects		208,138	208,138
Total	<u>\$732,742</u>	<u>\$973,575</u>	<u>\$240,833</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$418,538	\$174,454	\$244,084
Special Revenue	1,065,363	696,178	369,185
Capital Projects	208,138	208,138	0
Total	<u>\$1,692,039</u>	<u>\$1,078,770</u>	<u>\$613,269</u>

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

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**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	<u>\$708,769</u>

***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.

**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.

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

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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.

	<b>2016</b>
Assets	\$14,765,712
Liabilities	(9,531,506)
Members' Equity	\$ 5,234,206

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some 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% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

***Social Security***

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

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

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

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**Note 8 – Postemployment Benefits**

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

**Note 9 – Lease-Purchase Agreements**

Lease-Purchases outstanding at December 31, 2016 were as follows:

	Principal	Interest Rate
Ford F350 Truck	\$15,469	6.45%

The Township authorized on August 27, 2014 the execution of a Master Equipment Lease- Purchase agreement for the purpose of acquiring a 2015 Ford F350 truck 4x4 with Dump and Western Plow. As collateral security for secured obligations, the Township (lessee) grants to Ford Motor Credit Company (lessor) a first priority security interest in any and all of the equipment.

***Amortization***

Amortization of the above lease-purchase, including interest, is scheduled as follows:

	Ford F350 Truck
Year ending December 31:	
2017	\$8,490
2018	8,490
Total	\$16,980

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$99,543	\$334,354	\$433,897
Charges for Services		86,332	86,332
Licenses, Permits and Fees	6,143	14,351	20,494
Intergovernmental	73,107	163,428	236,535
Earnings on Investments	77	12	89
Miscellaneous	5,394	4,884	10,278
<i>Total Cash Receipts</i>	<u>184,264</u>	<u>603,361</u>	<u>787,625</u>
<b>Cash Disbursements</b>			
Current:			
General Government	148,814	25,972	174,786
Public Safety		291,443	291,443
Public Works	31,061	182,992	214,053
Health	16,058	17,609	33,667
Capital Outlay	5,508	18,925	24,433
Debt Service:			
Principal Retirement		120,524	120,524
Interest and Fiscal Charges		4,931	4,931
<i>Total Cash Disbursements</i>	<u>201,441</u>	<u>662,396</u>	<u>863,837</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(17,177)</u>	<u>(59,035)</u>	<u>(76,212)</u>
<b>Other Financing Receipts</b>			
Other Financing Sources	362		362
<i>Net Change in Fund Cash Balances</i>	(16,815)	(59,035)	(75,850)
<i>Fund Cash Balances, January 1</i>	<u>300,770</u>	<u>586,556</u>	<u>887,326</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		527,521	527,521
Assigned	270,588		270,588
Unassigned	13,367		13,367
<i>Fund Cash Balances, December 31</i>	<u>\$283,955</u>	<u>\$527,521</u>	<u>\$811,476</u>

See accompanying notes to the basic financial statements

**Providence Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Providence Township, Lucas County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

***Public Entity Risk Pools***

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

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

***Basis of Presentation***

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

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***Basis of Accounting***

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**Providence Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

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(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. Unencumbered appropriations lapse at year-end.

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

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

A summary of 2016 budgetary activity appears in Note 3.

***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.



**Providence Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

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**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, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$165,475	\$184,626	\$19,151
Special Revenue	566,563	603,361	36,798
Total	\$732,038	\$787,987	\$55,949

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$470,671	\$211,529	\$259,142
Special Revenue	962,703	673,684	289,019
Total	\$1,433,374	\$885,213	\$548,161

**Providence Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

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**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:

	<u>2015</u>
Demand deposits	<u>\$811,476</u>

***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.

**Note 6 - Risk Management**

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

Pursuant to Section 2744.081 of the Ohio 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, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 members as of December 31, 2015.

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

**Providence Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

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former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

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

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

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some 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% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

***Social Security***

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

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

**Providence Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

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**Note 8 – Postemployment Benefits**

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

**Note 9 – Lease-Purchase Agreements**

Lease-Purchases outstanding at December 31, 2016 were as follows:

	Principal	Interest Rate
Duraco Durapatcher	\$24,183	5.49%
Ford F350 Truck	22,507	6.45%
Total	\$46,690	

The Township authorized on April 15, 2012 the execution of a Master-Lease-Purchase agreement for the purpose of acquiring a Duraco Durapatcher. As collateral security for secured obligations, the Township (lessee) grants to Kansas State Bank of Manhattan (lessor) a first priority security interest in any and all of the equipment.

The Township authorized on August 27, 2014 the execution of a Master Equipment Lease- Purchase agreement for the purpose of acquiring a 2015 Ford F350 truck 4x4 with Dump and Western Plow. As collateral security for secured obligations, the Township (lessee) grants to Ford Motor Credit Company (lessor) a first priority security interest in any and all of the equipment.

***Amortization***

Amortization of the above lease-purchase, including interest, is scheduled as follows:

	Duraco Durapatcher	Ford F350 Truck
Year ending December 31:		
2016	\$12,602	\$8,490
2017	\$12,602	8,490
2018	8,490	8,490
Total	\$25,204	\$25,470

**Note 10 – Compliance**

Contrary to Ohio Rev. Code § 5705.10, vehicle registration, permissive motor vehicle, and charges for services monies were posted to various improper funds in 2015.



# 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

Providence Township  
Lucas County  
13257 Perry Road  
Grand Rapids, Ohio 43522

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 Providence Township, Lucas County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated December 20, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

***Purpose of this Report***

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

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

December 20, 2017

**PROVIDENCE TOWNSHIP  
LUCAS COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Material Weakness - Financial Reporting**

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Township's activity. The Township should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements. The Fiscal Officer did not always accurately post receipts and disbursements to the Township's accounting system.

These errors were a result of inadequate policies and procedures in reviewing the financial statements. Not posting financial information accurately to the ledgers resulted in audit adjustments to the financial statements such as the following:

- Fire related disbursements in the amount of \$27,871 in 2015 should have been posted to the Fire Operating Levy Fund and were incorrectly posted to the General Fund.
- In 2015 Property tax receipts in the amounts of \$2,778 in the General Fund; \$3,645 in the Road and Bridge Fund; \$1,500 in the Fire Operating Levy Fund; and \$4,142 in the Special Levy - 2.5 Mil Fire Fund were incorrectly classified as Intergovernmental receipts.
- Principal Retirement payments in the amount of \$69,649 in 2015 for the OPWC loans were misclassified as Public Works disbursements.
- Principal Retirement payments in the amounts of \$15,929 in 2015, along with \$1,428 for Interest and Finance Charges for the fire truck lease-purchase from the Fire Operating Levy Fund were misclassified as Capital Outlay disbursements.
- Principal Retirement payments in the amounts of \$19,074 and \$17,589, along with \$2,019 and \$3,503 for Interest and Finance Charges for lease-purchases in 2016 and 2015 respectively, from the Permissive Motor Vehicle License Tax Fund were misclassified as Capital Outlay disbursements.
- Principal Retirement payments in the amounts of \$11,494 in 2016, along with \$1,108 for Interest and Finance Charges for the Ford F350 truck lease-purchase from the Road and Bridge Fund were misclassified as Capital Outlay disbursements.
- The Township benefited from \$208,138 in Ohio Public Works Commission (OPWC) grant funding in fiscal year 2016 which was not recorded, resulting in an adjustment to Intergovernmental receipts and a corresponding Capital Outlay disbursement as well as appropriations in the budgetary note.
- Assigned fund cash balance amounts of \$80,825 and \$270,588 for 2016 and 2015, respectively, for appropriations in excess of estimated receipts for 2017 and 2016 were posted as unassigned fund cash balance amounts in the General Fund.

As a result, the financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements and the Township's accounting records have been adjusted to reflect these amounts in the correct funds and accounts.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by

the Ohio Township Handbook Chart of Accounts issued by the Auditor of State. Further, the Township should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Board of Trustees to ensure that errors and omissions are detected and corrected.

### **FINDING NUMBER 2016-002**

#### **Material Weakness and Noncompliance Citation**

**Ohio Rev. Code §5705.10(D)** provides that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

During 2015, the Township posted revenues to incorrect funds, as follows:

- Charges for Services receipts for Fire / EMS contracts in the amount of \$26,399 and related disbursements of \$27,871 were incorrectly posted to the General Fund instead of the Fire Operating Levy Fund.
- Intergovernmental receipts in the amount of \$4,543 were incorrectly posted to the Gasoline Tax Fund instead of \$2,193 and \$2,350 to the Motor Vehicle License Tax Fund and the Permissive Motor Vehicle License Tax Fund, respectively.
- Property and Other Local Taxes receipts in the amount of \$3,347 were incorrectly posted to the Gasoline Tax Fund instead of the Permissive Motor Vehicle License Tax Fund.

The financial statements have been adjusted to correct these errors. These errors occurred as a result of Management's lack of understanding of the types of monies received and the proper classification per the Uniform System of Accounting for Townships.

To help ensure the Township's financial statements are complete and accurate, Management should adopt policies and procedures, including a final review of the financial statements, to identify and correct errors and omissions.

#### **Officials' Response:**

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



**PROVIDENCE TOWNSHIP  
LUCAS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness due to adjustments made to the financial statements.	Not corrected and repeated in this report as Finding 2016-001.	Recurrence of these errors was due to lack of understanding of the types of monies received / disbursed and proper classification per the uniform system of accounting. Fiscal Officer is implementing procedures to correct these errors for the future.
2014-002	Material weakness due to not recording capital leases entered into by Township.	Removed, no such activity during 2016 and 2015.	
2014-003	Cite against Ohio Rev. Code § 5705.10 due to adjustments made to correct receipts posted to incorrect funds.	Not corrected and repeated in this report as Finding 2016-002	Recurrence of these errors was due to lack of understanding of the types of monies received and proper classification per the uniform system of accounting. Fiscal Officer is implementing procedures to correct these errors for the future.

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# Dave Yost • Auditor of State

PROVIDENCE TOWNSHIP

LUCAS 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  
JANUARY 4, 2018