



Dave Yost • Auditor of State



**TIFFIN TOWNSHIP  
DEFIANCE COUNTY  
DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Tiffin Township  
Defiance County  
21907 Rethmel Road  
Defiance, Ohio 43512

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 Tiffin Township, Defiance 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 Tiffin Township, Defiance 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 September 4, 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

September 4, 2018

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$53,174	\$199,304	\$40,000		\$292,478
Charges for Services		18,288			18,288
Licenses, Permits and Fees	2,630	7,650			10,280
Intergovernmental	35,119	132,508		\$43,576	211,203
Special Assessments		1,968			1,968
Earnings on Investments	2,412	281			2,693
Miscellaneous	2,406	19,047			21,453
<i>Total Cash Receipts</i>	<u>95,741</u>	<u>379,046</u>	<u>40,000</u>	<u>43,576</u>	<u>558,363</u>
<b>Cash Disbursements</b>					
Current:					
General Government	79,409				79,409
Public Safety	316	53,175			53,491
Public Works		186,298		43,576	229,874
Health		18,679		9,400	28,079
Capital Outlay		9,572			9,572
Debt Service:					
Principal Retirement		83,769	40,000	25,093	148,862
Interest and Fiscal Charges		6,396			6,396
<i>Total Cash Disbursements</i>	<u>79,725</u>	<u>357,889</u>	<u>\$40,000</u>	<u>78,069</u>	<u>555,683</u>
<i>Net Change in Fund Cash Balances</i>	16,016	21,157		(34,493)	2,680
<i>Fund Cash Balances, January 1</i>	<u>114,564</u>	<u>365,033</u>		<u>79,400</u>	<u>558,997</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		368,886		44,907	413,793
Committed		17,304			17,304
Assigned	71,300				71,300
Unassigned	59,280				59,280
<i>Fund Cash Balances, December 31</i>	<u>\$130,580</u>	<u>\$386,190</u>		<u>\$44,907</u>	<u>\$561,677</u>

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

**Tiffin Township  
Defiance County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017**

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Tiffin Township, Defiance 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.

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA provides property and casualty coverage for its members. Note 6 to the financial statements provide 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 and reports property tax money for constructing, maintaining, and repairing Township roads.

***Fire District Fund*** The fire district fund receives property tax money to pay for maintaining fire services.

***Debt Service Funds*** 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:

***Fire Station Bond Anticipation Notes (BAN) Retirement Fund*** This fund receives property tax money allocated from the fire tax levy passed by the residents of the Township for the firehouse construction project that will be used to pay down the bond anticipation notes issued in relation to this project.

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



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

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**Local Public Works Commission Fund** The Township received a grant from the State of Ohio and administered by the Defiance County Engineer to maintain and repair Township roads.

**Permanent Improvement Fund** This fund received proceeds from the sale of a truck to be used for the acquisition of permanent improvements.

***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 re-appropriated 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

***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.

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

**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:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,000	\$95,741	\$12,741
Special Revenue	347,410	379,046	31,636
Debt Service	40,000	40,000	
Capital Projects	52,776	43,576	(9,200)
Total	\$523,186	\$558,363	\$35,177

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

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$148,000	\$79,725	\$68,275
Special Revenue	721,962	357,889	364,073
Debt Service	40,000	40,000	
Capital Projects	87,269	78,069	9,200
Total	\$997,231	\$555,683	\$441,548

**Note 4 – Deposits and Investments**

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

	2017
Demand deposits	\$214,424
STAR Ohio	347,253
Total deposits and investments	\$561,677

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

***Investment***

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

**Note 6 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

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

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 \$9,000.

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>2017 Contributions to OTARMA</b>
\$19,140

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

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

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***

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

The Ohio Revised Code also prescribes contribution rates. 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 offer 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:

	Principal	Interest Rate
Fire Station Bond Anticipation Note	\$140,399	2.75%
Volvo Truck Lease	87,827	
Total	\$228,226	

The Township refinanced the Fire Station Bond Anticipation Note for \$385,000 on December 31, 2014. The note matures on December 1, 2019. Payments are due semi-annually on June 1 and December 1 to First Federal Bank.

***Leases***

The Township entered into a 5 year lease for a 2016 Volvo Single Axle Chassis with a Gledhill bed/snowplow through First Federal Bank on June 23, 2016. Lease payments are made quarterly.

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

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**Amortization**

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

Year Ending December 31:	Volvo Truck Lease	Fire Station Bond Anticipation Note
2018	\$25,093	\$45,104
2019	25,094	107,140
2020	25,093	
2021	12,547	
Total	<u>\$87,827</u>	<u>\$152,244</u>

**Note 10 – Miscellaneous Receipts**

Miscellaneous receipts in the Special Revenue Fund in 2017 primarily consisted of the sale of cemetery lots, donations, and rent.

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$53,182	\$200,548	\$40,000		\$293,730
Charges for Services		13,852			13,852
Licenses, Permits and Fees	2,965	8,700			11,665
Intergovernmental	35,034	129,722		\$44,764	209,520
Special Assessments	85	1,973			2,058
Earnings on Investments	1,110	140			1,250
Miscellaneous	1,534	7,204			8,738
<i>Total Cash Receipts</i>	<u>93,910</u>	<u>362,139</u>	<u>40,000</u>	<u>44,764</u>	<u>540,813</u>
<b>Cash Disbursements</b>					
Current:					
General Government	85,778				85,778
Public Safety	93	57,149			57,242
Public Works		189,510		35,364	224,874
Health	12,533	2,458			14,991
Capital Outlay	3,910	45,317			49,227
Debt Service:					
Principal Retirement		48,825	40,000		88,825
Interest and Fiscal Charges		9,978			9,978
<i>Total Cash Disbursements</i>	<u>102,314</u>	<u>353,237</u>	<u>\$40,000</u>	<u>35,364</u>	<u>530,915</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,404)</u>	<u>8,902</u>		<u>9,400</u>	<u>9,898</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets				70,000	70,000
Transfers In		29,761			29,761
Transfers Out	(29,761)				(29,761)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(29,761)</u>	<u>29,761</u>		<u>70,000</u>	<u>70,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(38,165)</u>	<u>38,663</u>		<u>79,400</u>	<u>79,898</u>
<i>Fund Cash Balances, January 1</i>	<u>152,729</u>	<u>326,370</u>			<u>479,099</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		348,721		79,400	428,121
Committed		16,312			16,312
Assigned	65,000				65,000
Unassigned	49,564				49,564
<i>Fund Cash Balances, December 31</i>	<u>\$114,564</u>	<u>\$365,033</u>		<u>\$79,400</u>	<u>\$558,997</u>

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

**Tiffin Township  
Defiance 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***

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:

***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.

***Road and Bridge Fund*** The road and bridge fund accounts for and reports property tax money for constructing, maintaining, and repairing Township roads.

***Debt Service Funds*** 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:

***Fire Station Bond Anticipation Notes (BAN) Retirement Fund*** This fund receives property tax money allocated from the fire tax levy passed by the residents of the Township for the firehouse construction project that will be used to pay down the bond anticipation notes issued in relation to this project.

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

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**Local Public Works Commission Fund** The Township received a grant from the State of Ohio and administered by the Defiance County Engineer to maintain and repair Township roads.

**Permanent Improvement Fund** This fund received proceeds from the sale of a truck to be used for the acquisition of permanent improvements.

***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 re-appropriated in the subsequent year.

A summary of 2016 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

***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.

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

**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, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,835	\$93,910	\$11,075
Special Revenue	364,950	391,900	26,950
Debt Service	40,000	40,000	
Capital Projects	35,364	114,764	79,400
Total	\$523,149	\$640,574	\$117,425

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

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$176,673	\$132,075	\$44,598
Special Revenue	646,613	353,237	293,376
Debt Service	40,000	40,000	
Capital Projects	35,364	35,364	
Total	\$898,650	\$560,676	\$337,974

**Note 4 – Deposits and Investments**

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

	2016
Demand deposits	\$264,436
STAR Ohio	294,561
Total deposits and investments	\$558,997

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

***Investment***

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

**Note 6 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**Tiffin Township  
Defiance County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(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, 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 \$9,000.

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>2016 Contributions to OTARMA</b>
\$19,014

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

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

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***

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

The Ohio Revised Code also prescribes contribution rates. 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 offer 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:

	Principal	Interest Rate
Fire Station and Anticipation Note	\$264,167	2.75%
Volvo Truck Lease	112,920	
Total	\$377,087	

The Township refinanced the Fire Station Bond Anticipation Note for \$385,000 on December 31, 2014. The note matures on December 1, 2019. Payments are due semi-annually on June 1 and December 1 to First Federal Bank.

***Leases***

The Township entered into a 5 year lease for a 2016 Volvo Single Axle Chassis with a Gledhill bed/snowplow through First Federal Bank on June 23, 2016. Lease payments are made quarterly.

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

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**Amortization**

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

Year Ending December 31:	Volvo Truck Lease	Fire Station Bond Anticipation Note
2017	\$25,093	\$45,049
2018	25,093	45,104
2019	25,094	195,465
2020	25,093	
2021	12,547	
Total	\$112,920	\$285,618

**Note 10 – Interfund Transfers**

The Township transferred \$29,761 from the General Fund to the Road and Bridge Fund to make a down payment and debt payments for the Volvo Truck.

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 11 – Compliance**

Contrary to Ohio Rev. Code § 5705.10(F), the Township recorded the proceeds from the sale of a permanent improvement in the wrong fund.

Contrary to Ohio Rev. Code § 5705.05, the Township improperly paid debt expenses from the General Fund, which was comingled with funds from a levy for current expenses.



# 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

Tiffin Township  
Defiance County  
21907 Rethmel Road  
Defiance, Ohio 43512

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 Tiffin Township, Defiance 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 September 4, 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 through 2017-003 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-002 and 2017-003.

***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

September 4, 2018



**TIFFIN TOWNSHIP  
DEFIANCE 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**

**Material Weakness**

**Monitoring of Financial Statements**

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. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were identified in the accompanying 2017 and 2016 financial statements:

- In 2017, estimated receipts in the budgetary note to the financial statements were overstated by \$20,400 in the Capital Projects Fund. In addition, the accounting system didn't agree to amounts approved by \$9,200 in the Capital Projects Fund in 2017.
- In 2017 and 2016, restricted fund balance was overstated and committed fund balance was understated in the Road and Bridge Fund by \$62,211 and \$86,312, respectively.
- The General Fund balance for subsequent appropriations in excess of estimated receipts was not correctly classified as assigned fund balance in 2017 or 2016 in the amounts of \$71,300 and \$65,000, respectively.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Township's financial statements and notes to the financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the audit committee, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Auditor of State's Township Handbook and Audit Bulletin 2011-004 for information on GASB Statement No. 54.

**FINDING NUMBER 2017-002**

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.10(F)** requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more.

In 2016, the Township sold a truck for \$70,000 and incorrectly posted proceeds from the sale in the Road and Bridge Fund instead of a Permanent Improvement Fund.

The lack of a policy regarding financial review contributed to the above error occurring without detection. The financial statements and accounting system were adjusted to correct these misstatements. Disbursements totaling \$25,093 paid in 2017 from these proceeds were also adjusted from the Road and Bridge Fund to a Permanent Improvement Fund.

Improper posting of revenues and expenditures could cause management to draw incorrect conclusions regarding the Township's fiscal position. Financial activity should be properly posted in the accounting ledgers so that the Trustees can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process, Township trustees should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

### **FINDING NUMBER 2017-003**

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

**Ohio Rev. Code § 5705.05** provides that the purpose and intent of the general levy for current expenses is to provide one general operating fund derived from taxation from which any expenditures for current expenses of any kind may be made. The taxing authority of a political subdivision may include in such levy the amounts required for carrying into effect any of the general or special powers granted by law to such subdivision, including the acquisition or construction of permanent improvements and the payment of judgments, but excluding the payment of debt charges. The power to include in the general levy for current expenses additional amounts for purposes for which a special tax is authorized shall not affect the right or obligation to levy such special tax.

**1981 Ohio Att'y Gen. Op. No. 81-035** provides that certain moneys paid into the General Fund which are not derived from a general levy for current expenses are placed in the General Fund precisely because their use is not restricted. Such monies may be used to pay debt charges provided that they have not been comingled with general fund monies which may not be used for debt payment. Where otherwise unrestricted monies have been paid into the General Fund and have been comingled with restricted monies to the extent that the particular source from which the monies originated cannot be distinguished, such monies may be used to pay debt charges only after they have been transferred to an appropriate fund pursuant to **Ohio Rev. Code § 5705.14**.

The Township's general levy is restricted for current expenses and is comingled with unrestricted monies. In 2016, the Township paid the truck lease payments from the General Fund in the amount of \$13,810. These funds should have been paid from the Road and Bridge Fund or transferred from the General Fund to the Road and Bridge Fund, with payment being made from the Road and Bridge Fund.

This error was a result of inadequate policies and procedures in monitoring financial statement information. As a result, the Township's financial statements did not correctly reflect the financial activity of the Township. The financial statements have been adjusted to correct this error.

The Fiscal Officer should pay the truck lease payments out of the Road and Bridge Fund or transfer out of the General Fund to a separate allowable fund to pay debt.

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

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



# Dave Yost • Auditor of State

TIFFIN TOWNSHIP

DEFIANCE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER, 18 2018