



**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**



**Mary Taylor, CPA**  
Auditor of State



**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

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# Mary Taylor, CPA

Auditor of State

Tiffin Township  
Defiance County  
21907 Rethmel Road  
Defiance, Ohio 43512-9636

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 10, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Tiffin Township  
Defiance County  
21907 Rethmel Road  
Defiance, Ohio 43512-9636

To the Board of Trustees:

We have audited the accompanying financial statements of Tiffin Township, Defiance County, (the Township) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Tiffin Township, Defiance County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in note 2, the Township reclassified the presentation of its trust funds in 2006.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

June 10, 2008

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$3,367	\$211,978	\$20,000		\$235,345
Licenses, Permits, and Fees	3,340	4,350			7,690
Intergovernmental	116,540	176,001		\$34,355	326,896
Special Assessments		3,549			3,549
Earnings on Investments	11,914	6,161		22,063	40,138
Miscellaneous	3,370	32,207	642	1,850	38,069
<b>Total Cash Receipts</b>	<u>138,531</u>	<u>434,246</u>	<u>20,642</u>	<u>58,268</u>	<u>651,687</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	72,830				72,830
Public Safety		31,172			31,172
Public Works		258,690			258,690
Health	5,041	1,188			6,229
Conservation - Recreation	146				146
Capital Outlay	11,586	95,925		844,485	951,996
<b>Total Cash Disbursements</b>	<u>89,603</u>	<u>386,975</u>		<u>844,485</u>	<u>1,321,063</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>48,928</u>	<u>47,271</u>	<u>20,642</u>	<u>(786,217)</u>	<u>(669,376)</u>
<b>Other Financing Receipts:</b>					
Sale of Notes				903,879	903,879
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	48,928	47,271	20,642	117,662	234,503
Fund Cash Balances, January 1	70,932	424,852			495,784
<b>Fund Cash Balances, December 31</b>	<u><u>\$119,860</u></u>	<u><u>\$472,123</u></u>	<u><u>\$20,642</u></u>	<u><u>\$117,662</u></u>	<u><u>\$730,287</u></u>
Reserve for Encumbrances, December 31				\$26,438	\$26,438

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

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$3,371	\$157,295	\$160,666
Licenses, Permits, and Fees	6,000	5,400	11,400
Intergovernmental	44,053	122,092	166,145
Special Assessments		3,519	3,519
Earnings on Investments	9,279	5,322	14,601
Miscellaneous	7,976	13,642	21,618
	<u>70,679</u>	<u>307,270</u>	<u>377,949</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	86,554		86,554
Public Safety		29,915	29,915
Public Works		196,026	196,026
Health	6,583	5,316	11,899
Conservation - Recreation	218		218
Capital Outlay		58,673	58,673
	<u>93,355</u>	<u>289,930</u>	<u>383,285</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(22,676)</u>	<u>17,340</u>	<u>(5,336)</u>
<b>Other Financing Receipts:</b>			
Sale of Fixed Assets		15,050	15,050
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(22,676)	32,390	9,714
Fund Cash Balances, January 1	<u>93,608</u>	<u>392,462</u>	<u>486,070</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$70,932</u></b>	<b><u>\$424,852</u></b>	<b><u>\$495,784</u></b>

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

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Tiffin Township, Defiance 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. The Township contracts with the City of Defiance to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 8 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.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

**C. Cash and Investments**

Investments in STAR Ohio (the State Treasurer's Office investment pool) are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007 and 2006.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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

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

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

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt. 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 fire house construction project that will be used to pay down the bond anticipation notes issued in relation to this project.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project fund:

Fire House Construction Fund – This fund received the proceeds from the sale of bond anticipation notes used to construct a new Township fire house.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. 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 also approve estimated resources.

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**3. 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 2007 and 2006 budgetary activity appears in Note 4.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. RESTATEMENT OF FUND BALANCES**

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 34, the Township reclassified its Cemetery Bequest Fund, previously a nonexpendable trust (fiduciary) fund, to a special revenue fund. Its Brace Estate Fund, previously an expendable trust (fiduciary) fund, was reclassified to a special revenue fund. These fund reclassifications had the following effect on the Township's fund balances as they were previously reported as of December 31, 2005:

	Fiduciary	Special Revenue
Fund Balances, December 31, 2005	\$85,927	\$306,535
Reclassification of Fiduciary Fund Balances	(85,927)	85,927
Restated Fund Balances, January 1, 2006	\$0	\$392,462

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

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

	2007	2006
Demand deposits	\$268,580	\$213,458
STAR Ohio	461,707	282,326
Total deposits and investments	\$730,287	\$495,784

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,553	\$138,531	\$75,978
Special Revenue	441,240	434,246	(6,994)
Debt Service		20,642	20,642
Capital Projects	938,234	962,147	23,913
Total	\$1,442,027	\$1,555,566	\$113,539

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$134,815	\$89,603	\$45,212
Special Revenue	823,731	386,975	436,756
Capital Projects	938,234	870,923	67,311
Total	\$1,896,780	\$1,347,501	\$549,279

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,635	\$70,679	\$22,044
Special Revenue	272,740	322,320	49,580
Total	\$321,375	\$392,999	\$71,624

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$136,222	\$93,355	\$42,867
Special Revenue	567,057	289,930	277,127
Total	\$703,279	\$383,285	\$319,994

**5. PROPERTY TAX**

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.

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. PROPERTY TAX – (CONTINUED)**

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

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

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

**6. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Bond Anticipation Notes	<u>\$900,000</u>	4.25%

The Township issued bond anticipation notes for the purpose of constructing a new fire station in the Township and paying costs of issuance of the notes. On March 27, 2008, the Township retired the original notes and issued renewal notes for \$745,000 in principal at an interest rate of 3.5% that will mature on March 25, 2009.

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

	Fire Station Bond Anticipation Notes
Year ending December 31: 2008	<u>\$938,250</u>

**7. RETIREMENT SYSTEM**

The Township's elected officials and 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. For 2007 and 2006, OPERS members contributed 9.5 and 9.0%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.70%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. RISK MANAGEMENT – (CONTINUED)**

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$27,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Contributions to OTARMA</u></b>	
2005	\$14,539
2006	\$14,307
2007	\$13,397

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**9. COMPLIANCE**

Contrary to Ohio law:

- Revenue derived from a special levy prescribed by law to be credited to a special fund was not always posted to the appropriate fund in fiscal year 2007.
- A portion of one of the Trustees' wages and benefits were improperly allocated to the Motor Vehicle License Tax Fund because there was either no record of time spent on road related services or the costs charged to this fund were not in proportion to time spent by the Trustees working on road related services.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 43512-9636

To the Board of Trustees:

We have audited the financial statements of Tiffin Township, Defiance County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 10, 2008, wherein we noted the Township prepared its financial statements using the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and we noted the Township reclassified its trust funds. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain matters that we reported to the Township's management in a separate letter dated June 10, 2008.

### **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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 10, 2008.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

June 10, 2008

**TIFFIN TOWNSHIP  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation/Material Weakness**

Ohio Revised Code § 5705.10 requires that all revenue derived from a special levy is to be credited to a special fund for which the levy was made and all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. Furthermore, money paid into a fund must be used only for the purposes which such fund has been established.

In fiscal year 2007, \$10,051 in fire tax levy monies was recorded in the General Fund instead of the Fire District Fund. As a result, the Township's financial statements did not correctly reflect the financial activity of the Township. The financial statements have been adjusted so these transactions are reflected in the proper funds.

This situation could result in monies being used for purposes other than those prescribed by law. Furthermore, inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the Township.

We recommend that all financial transactions be included in the proper account codes as specified in the Ohio Township Handbook issued by the Auditor of State. Furthermore, the Fiscal Officer should post tax revenues as indicated in the County Auditor's tax settlement distributions.

**FINDING NUMBER 2007-002**

**Noncompliance Citation/Material Weakness**

Ohio Revised Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-006. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation.

We noted the following:

- In fiscal year 2006, \$7,459 of one of the Trustees' wages and benefits was paid from the Motor Vehicle License Tax Fund without any record documenting the Trustee's time spent performing road related services.
- In fiscal year 2007, \$12,305 of the Trustees' wages and benefits was improperly paid from the Motor Vehicle License Tax Fund. The Trustees kept timesheets as evidence of their time spent on township business and the types of services rendered (i.e. road, cemetery, zoning, etc.); however, the amounts allocated to the Motor Vehicle License Tax Fund did not correlate to their actual amount of time spent on road related services as documented on their timesheets.

**FINDING NUMBER 2007-002  
(Continued)**

- There is no evidence that a resolution or other written approval specifying from which funds, and in what proportions, the Trustees' wages were to be paid.

This resulted in payments being made from improper funds. The Township's financial statements have been adjusted so these transactions are reflected in the proper funds. The Township was first put on notice that this practice was in violation of Ohio law during the 2005/2004 audit.

We recommend that all Trustees' wages and fringe benefits be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustees' salaries, including benefits, chargeable to other Township funds. The Fiscal Officer should distribute salary and benefit costs in proportion to the timesheets submitted by the Trustees.

**FINDING NUMBER 2007-003**

**Material Weakness - Monitoring of Financial Transactions**

Accurate financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is correct.

We noted instances such as the following:

- The Cemetery Bequest Fund was classified as a permanent fund when it should have been classified as a special revenue fund
- The Brace Estate Fund and Jean Cox Estate Fund were classified as private purpose trust funds when they should have been classified as special revenue funds.
- In fiscal year 2006, \$15,050 in proceeds from the sale of a Township asset was improperly classified as miscellaneous revenue instead of a non-operating other financing source.

As a result, the Township's financial statements did not correctly reflect the financial activity of the Township for each respective fiscal year. The accompanying financial statements have been adjusted so as so these transactions reflect their intended purpose and are presented in the appropriate fund.

Inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the Township.

We recommend that all financial transactions be included in the proper fund and account codes as specified in the Ohio Township Handbook issued by the Auditor of State. Furthermore, the Township should adopt policies and procedures to include a final review of the financial statements by the Fiscal Officer and Trustees to ensure that errors and omissions are detected and corrected.

**Official's Response:**

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



**Mary Taylor, CPA**  
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  
JULY 3, 2008**