



OHIO AUDITOR OF STATE  
**KEITH FABER**





**DELAWARE TOWNSHIP  
DEFIANCE COUNTY  
DECEMBER 31, 2018 AND 2017**

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## INDEPENDENT AUDITOR'S REPORT

Delaware Township  
Defiance County  
07891 Mulligans Bluff Road  
Defiance, Ohio 43512-9749

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 Delaware Township, Defiance County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

### ***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, 2018 and 2017, 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 Delaware Township, Defiance County, Ohio as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

November 12, 2019

**DELAWARE 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, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$14,436	\$160,573		\$175,009
Charges for Services		49,927		49,927
Licenses, Permits and Fees	1,100	4,075		5,175
Intergovernmental	35,281	134,793	\$960	171,034
Earnings on Investments	36	141		177
Miscellaneous	5,453	9,078		14,531
<i>Total Cash Receipts</i>	<u>56,306</u>	<u>358,587</u>	<u>960</u>	<u>415,853</u>
<b>Cash Disbursements</b>				
Current:				
General Government	53,530	4,800		58,330
Public Safety		68,306		68,306
Public Works		155,756		155,756
Health		27,403		27,403
Capital Outlay			960	960
Debt Service:				
Principal Retirement		30,448		30,448
Interest and Fiscal Charges		3,394		3,394
<i>Total Cash Disbursements</i>	<u>53,530</u>	<u>290,107</u>	<u>960</u>	<u>344,597</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,776</u>	<u>68,480</u>		<u>71,256</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Sources		8,371		8,371
Other Financing Uses	(284)			(284)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(284)</u>	<u>8,371</u>		<u>8,087</u>
<i>Net Change in Fund Cash Balances</i>	2,492	76,851		79,343
<i>Fund Cash Balances, January 1</i>	<u>15,575</u>	<u>250,048</u>	<u>4,000</u>	<u>269,623</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		261,501	4,000	265,501
Committed		65,398		65,398
Assigned	15,575			15,575
Unassigned	2,492			2,492
<i>Fund Cash Balances, December 31</i>	<u>\$18,067</u>	<u>\$326,899</u>	<u>\$4,000</u>	<u>\$348,966</u>

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

**Delaware Township**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Delaware 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 Village of Ney and Washington Township to provide them emergency medical services.

***Public Entity Risk Pool***

The Township participates in a public entity risk pool, the Ohio Township Association Risk Management Authority. 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:

***Gasoline Tax Fund*** This 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*** This fund accounts for and reports property tax money for constructing, maintaining, and repairing Township roads and bridges.

***Fire District Fund*** This fund accounts for and reports property tax money for maintenance of fire and emergency medical services equipment and buildings.

***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:

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



**Delaware Township**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(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. Appropriations lapse at year-end.

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

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

A summary of 2018 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.

***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:

**Delaware Township**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

**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, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,750	\$56,306	\$2,556
Special Revenue	366,287	366,958	671
Capital Projects	30,000	960	(29,040)
Total	\$450,037	\$424,224	(\$25,813)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,325	\$53,814	\$15,511
Special Revenue	520,771	290,107	230,664
Capital Projects	30,000	960	29,040
Total	\$620,096	\$344,881	\$275,215

**Delaware Township**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(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:

	2018
Demand deposits	<u>\$348,966</u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

At December 31, 2018, \$112,415 of deposits were not insured and collateralized, contrary to Ohio law.

**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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 taxes 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**

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

***Risk Pool Membership***

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

**Delaware Township**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

	2018
Cash and investments	\$33,097,416
Actuarial liabilities	\$7,874,610

**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 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, 2018.

***Social Security***

Several Township 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, 2018.

**Note 8 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 9 – Debt**

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Bank Loan No. 421114662 - Dump Truck	\$8,446	3.79%
Bank Loan No. 421127532 - EMS Unit	44,094	3.95%
Total	\$52,540	

The Township obtained a bank loan in 2015 in the amount of \$20,000 to finance the purchase of a used dump truck for Township road maintenance. The loan was approved at an interest rate of 3.79% to be repaid over a five year period. The loan is secured by the used dump truck financed with the loan proceeds.

The Township obtained a bank loan in 2016 in the amount of \$77,265 to finance the purchase of an emergency medical services (EMS) unit for the Township's volunteer fire department. The loan was approved at an interest rate of 3.95% to be repaid over a ten year period. The loan is secured by the EMS unit financed with the loan proceeds.

**Delaware Township**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**Amortization**

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

Year Ending December 31:	Bank Loan No. 421114662 - Dump Truck	Bank Loan No. 421127532 - EMS Unit
2019	\$4,422	\$9,420
2020	4,422	9,420
2021		9,420
2022		9,420
2023		9,420
2024		2,120
Total	<u>\$8,844</u>	<u>\$49,220</u>

**Note 10 – Compliance**

Contrary to Ohio Rev. Code Chapter 133, the Township made principal payments on a type of debt it has no statutory authority to incur.

**Note 11 – Miscellaneous Receipts**

Miscellaneous receipts in the General Fund primarily consisted of meeting room and hall rental fees and various refunds.

**Note 12 – Subsequent Events**

The Township participated in the County-wide grant application for a new MARCS radio system through the Ohio Department of Commerce. The Township received grant funds totaling \$40,451 in April 2019 to be used to purchase MARCS radios by July 1, 2019.

**DELAWARE 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	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$17,261	\$178,960		\$196,221
Charges for Services		46,460		46,460
Licenses, Permits and Fees	3,125	4,050		7,175
Intergovernmental	29,669	145,922	\$48,995	224,586
Earnings on Investments	53	93		146
Miscellaneous	5,624	28,489		34,113
<i>Total Cash Receipts</i>	<u>55,732</u>	<u>403,974</u>	<u>48,995</u>	<u>508,701</u>
<b>Cash Disbursements</b>				
Current:				
General Government	58,182	3,991		62,173
Public Safety		99,594		99,594
Public Works		201,032		201,032
Health		9,829		9,829
Capital Outlay			48,995	48,995
Debt Service:				
Principal Retirement		16,889		16,889
Interest and Fiscal Charges		2,265		2,265
<i>Total Cash Disbursements</i>	<u>58,182</u>	<u>333,600</u>	<u>48,995</u>	<u>440,777</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,450)</u>	<u>70,374</u>		<u>67,924</u>
<b>Other Financing Receipts</b>				
Sale of Capital Assets			4,000	4,000
<i>Net Change in Fund Cash Balances</i>	(2,450)	70,374	4,000	71,924
<i>Fund Cash Balances, January 1</i>	<u>18,025</u>	<u>179,674</u>		<u>197,699</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		173,568	4,000	177,568
Committed		76,480		76,480
Assigned	15,575			15,575
<i>Fund Cash Balances, December 31</i>	<u>\$15,575</u>	<u>\$250,048</u>	<u>\$4,000</u>	<u>\$269,623</u>

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

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

---

**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.

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***Basis of Accounting***

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

---

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Budgetary Process***

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

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.



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

**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	\$50,550	\$55,732	\$5,182
Special Revenue	350,680	403,974	53,294
Capital Projects	62,525	52,995	(9,530)
Total	\$463,755	\$512,701	\$48,946

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,575	\$58,182	\$10,393
Special Revenue	429,065	333,600	95,465
Capital Projects	62,525	48,995	13,530
Total	\$560,165	\$440,777	\$119,388

**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:

Demand deposits	2017
	\$269,623

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

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**Deposits**

Deposits are insured by the Federal Deposit 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 taxes 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 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.

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

	<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 \$5,000.

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>
\$10,577

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

**Note 7 – Defined Benefit Pension 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 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.

***Social Security***

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

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

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, 2017.

**Note 8 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 percent during calendar year 2017. The portion of employer contributions to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017.

**Note 9 – Debt**

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

	Principal	Interest Rate
Bank Loan No. 421114662 - Dump Truck	\$12,436	3.79%
Bank Loan No. 421127532 - EMS Unit	70,756	3.95%
Total	\$83,192	

The Township obtained a bank loan in 2010 in the amount of \$37,190 to finance the purchase of a dump truck for Township road maintenance. The loan was approved at an interest rate of 5.75% to be repaid over a seven year period. This loan is secured by the dump truck financed with the loan proceeds. This loan was paid off in 2017.

The Township obtained a bank loan in 2015 in the amount of \$20,000 to finance the purchase of a used dump truck for Township road maintenance. The loan was approved at an interest rate of 3.79% to be repaid over a five year period. The loan is secured by the used dump truck financed with the loan proceeds.

The Township obtained a bank loan in 2016 in the amount of \$77,265 to finance the purchase of an emergency medical services (EMS) unit for the Township's volunteer fire department. The loan was approved at an interest rate of 3.95% to be repaid over a ten year period. The loan is secured by the EMS unit financed with the loan proceeds.

**Amortization**

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

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

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Year Ending December 31:	Bank Loan No. 421114662 - Dump Truck	Bank Loan No. 421127532 - EMS Unit
2018	\$4,422	\$9,420
2019	4,422	9,420
2020	4,422	9,420
2021		9,420
2022		9,420
2023-2026		37,681
Total	\$13,266	\$84,781

**Note 10 – Compliance**

Contrary to Ohio Rev. Code Chapter 133, the Township made principal payments on a type of debt it has no statutory authority to incur. Contrary to Ohio Rev. Code § 5705.10(F), the Township recorded the sale of an ambulance in the wrong fund.

**Note 11 – Miscellaneous Receipts**

Miscellaneous receipts in the General Fund primarily consisted of meeting room and hall rental fees and various refunds. Miscellaneous receipts in the Special Revenue Funds primarily consisted of fees for the sale of cemetery lots and cemetery base installations, water hauling receipts, and a donation.

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(419) 245-2811 or (800) 443-9276  
NorthwestRegion@ohioauditor.gov

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Delaware Township  
Defiance County  
07891 Mulligans Bluff Road  
Defiance, Ohio 43512-9749

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 Delaware Township, Defiance County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated November 12, 2019, 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 2018-001 and 2018-004 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 2018-001 through 2018-003.

***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.



Keith Faber  
Auditor of State

Columbus, Ohio

November 12, 2019



**DELAWARE TOWNSHIP  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Noncompliance 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 2017, the Township inappropriately recorded \$4,000 from the sale of an ambulance in the Special Revenue Fire District Fund as miscellaneous revenue. Given the source of the revenue, this should have been recorded in the Capital Projects Miscellaneous Permanent Improvement Fund as sale of capital assets. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

**FINDING NUMBER 2018-002**

**Noncompliance Citation**

**Ohio Rev. Code Chapter 133** authorizes certain methods by which subdivisions may incur debt.

**Ohio Rev. Code § 133.22**, a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.

**Ohio Rev. Code § 133.10**, permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

**Ohio Rev. Code § 133.15**, a subdivision is authorized to issue securities for "the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct."

**Ohio Rev. Code § 133.18**, "the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue."

During 2018 and 2017, the Township made principal payments on outstanding bank loans in the amount of \$30,448 and \$16,889, respectively. These bank loans were used by the Township to purchase vehicles and an ambulance.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such a method. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Township.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

### **FINDING NUMBER 2018-003**

**Ohio Rev. Code § 135.18(A)** provides that each institution designated as a public depository and awarded public deposits under Ohio Rev. Code § 135.01 to 135.21, except as provided in Ohio Rev. Code § 135.144 or 135.145, shall provide security for the repayment of all public deposits by selecting one of the following methods:

1. Securing all uninsured public deposits of each public depositor separately by pledging to the public depositor eligible securities of aggregate market value at all times equal to at least one hundred five percent of the total amount of the public depositor's uninsured public deposits.
2. Securing all uninsured public deposits of every public depositor by establishing and pledging to the treasurer of state a single pool of collateral for the benefit of every public depositor at the public depository.

**Ohio Rev. Code § 135.182** establishes the Ohio Pooled Collateral Program established under the Treasurer of State. Under this program, each institution designated as a public depository that selects the pledging method shall pledge to the treasurer of state a single pool of eligible securities for the benefit of all public depositors at the public depository to secure the repayment of all uninsured public deposits at the public depository, provided that at all times the total market value of the securities so pledged is at least equal to either of the following:

1. One hundred two percent of the total amount of all uninsured public deposits;
2. An amount determined by rules adopted by the Treasurer of State that set forth the criteria for determining the aggregate market value of the pool of eligible securities pledged by a public depository pursuant to division (B) of this section. Such criteria shall include, but are not limited to, prudent capital and liquidity management by the public depository and the safety and soundness of the public depository as determined by a third-party rating organization.

Due to deficiencies in policies and procedures over the monitoring of collateral, the Township's designated depository, Sherwood State Bank, did not specifically pledge securities to the Township to collateralize deposits nor did the bank enroll in the Ohio Pooled Collateral Program. As of December 31, 2018, the portion of the Township's bank balance that was uninsured and uncollateralized was \$112,415. The Fiscal Officer did not verify that the bank provided the required allowable collateral. The lack of required pledged securities could put the entire balance at risk in the event of bank failure.

The Fiscal Officer should monitor any designated depository utilized by the Township to ensure they are providing the required specifically pledged collateral or are enrolled in the Ohio Pooled Collateral System.

## FINDING NUMBER 2018-004

### Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. 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 financial statements:

- In 2018, Ohio Public Works Commission on-behalf grant receipts of \$960 were incorrectly classified as miscellaneous revenue instead of intergovernmental revenue in the Capital Projects Public Works Commission Projects Fund.
- In 2017, Ohio Public Works Commission on-behalf grant disbursements of \$48,995 were incorrectly classified as conservation-recreation instead of capital outlay in the Capital Projects Public Works Commission Projects Fund.
- In 2018, the Special Revenue Road District Fund balance of \$52,805 was incorrectly classified as committed instead of restricted fund balance.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Township's 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. Additional errors were noted in smaller relative amounts.

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 Board, to identify and correct errors and omissions. In addition, the Fiscal Officer should review the Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

### Officials' Response:

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

# Delaware Township



Michele Speiser, Fiscal Officer  
 07891 Mulligans Bluff Road  
 Defiance, OH 43512-9749

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	This finding was first reported in 2015. Ohio Rev. Code Chapter 133 for obtaining bank installment loans through a local bank, which is not a statutorily permitted type of debt for a township.	Not corrected and reissued as Finding 2018-002 in this report.	The Township declined to offer an explanation for why the finding reoccurred. However, an effort will be made to only issue debt in the future using authorized methods upon consultation with legal counsel.
2016-002	This finding was first reported in 2015. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2018-004 in this report.	The Township declined to offer an explanation for why the finding reoccurred. However, the Township has a better understanding of the posting issues and will continue to monitor the Township's financial statements and make changes as necessary.

# OHIO AUDITOR OF STATE KEITH FABER



**DELAWARE 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  
DECEMBER 5, 2019**