



Dave Yost • Auditor of State



MARK TOWNSHIP  
DEFIANCE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Mark Township  
Defiance County  
10625 Breininger Road  
Hicksville, Ohio 43526-9338

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

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

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

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no 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 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section

117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, or 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 combined cash balances of Mark Township, Defiance County, Ohio as of December 31, 2016 and 2015, and its combined cash receipts and disbursements 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 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2017, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 10, 2017

**MARK 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	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$27,712	\$86,264		\$113,976
Charges for Services		2,146		2,146
Licenses, Permits and Fees	1,090			1,090
Intergovernmental	32,686	113,337	\$3,110	149,133
Earnings on Investments	312	175		487
Miscellaneous	1,697	14,870		16,567
<i>Total Cash Receipts</i>	<u>63,497</u>	<u>216,792</u>	<u>3,110</u>	<u>283,399</u>
<b>Cash Disbursements</b>				
Current:				
General Government	44,927	794		45,721
Public Safety		41,070		41,070
Public Works		173,858		173,858
Health	3,500			3,500
Capital Outlay			3,110	3,110
Debt Service:				
Principal Retirement		4,922		4,922
<i>Total Cash Disbursements</i>	<u>48,427</u>	<u>220,644</u>	<u>\$3,110</u>	<u>272,181</u>
<i>Net Change in Fund Cash Balances</i>	15,070	(3,852)		11,218
<i>Fund Cash Balances, January 1</i>	<u>147,543</u>	<u>385,031</u>		<u>532,574</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		312,034		312,034
Committed		69,145		69,145
Assigned	162,102			162,102
Unassigned	511			511
<i>Fund Cash Balances, December 31</i>	<u>\$162,613</u>	<u>\$381,179</u>		<u>\$543,792</u>

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

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**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 Mark 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 and cemetery maintenance. The Township contracts with the Villages of Hicksville and Sherwood to provide fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority, a 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 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.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. The 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.

The Township's repurchase agreement investment is recorded at the amount reported by First Federal Bank on December 31, 2016.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.



**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**2. 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 Fund:

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

**3. 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:

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund 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. 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 approve estimated resources.

**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 2016 budgetary activity appears in Note 3.

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**F. 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:

**1. Nonspendable**

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

**2. 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.

**3. 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.

**4. 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.

**5. 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.

**G. 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.

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**2. EQUITY IN POOLED 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	\$174,685
Repurchase agreement	369,107
Total deposits and investments	\$543,792

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**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	\$63,400	\$63,497	\$97
Special Revenue	203,800	216,792	12,992
Capital Projects		3,110	3,110
Total	\$267,200	\$283,399	\$16,199

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$204,576	\$48,938	\$155,638
Special Revenue	438,350	226,052	212,298
Capital Projects	3,110	3,110	
Total	\$646,036	\$278,100	\$367,936

**4. 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.

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.

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan - CE34H	\$31,830	0.00%
Ohio Public Works Commission Loan - CE36J	7,065	0.00%
Total	\$38,895	

The Ohio Public Works Commission (OPWC) Loan – CE34H was obtained to help finance the Breininger Road reconstruction project. The OPWC originally approved \$75,500 in an interest free loan to the Township for this project. The loan will be repaid in semiannual payments over 20 years.

The Ohio Public Works Commission (OPWC) Loan – CE36J was obtained to help finance the Williams Center-Cecil Road reconstruction project. The OPWC originally approved \$18,000 in an interest free loan to the Township for this project. The loan will be repaid in semiannual payments over 15 years.

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

Year ending December 31:	OPWC Loan CE34H	OPWC Loan CE36J
2017	\$3,745	\$1,177
2018	3,745	1,177
2019	3,745	1,177
2020	3,745	1,177
2021	3,745	1,177
2022-2025	13,105	1,180
Total	\$31,830	\$7,065

**6. DEFINED BENEFIT PENSION PLAN**

***Ohio Public Employees 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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**7. POSTEMPLOYMENT BENEFITS**

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

**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 Workers' Compensation.

**Risk Pool Membership**

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

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

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 \$1,000.

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

<b><u>2016 Contributions to OTARMA</u></b>
\$2,491

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.

**9. MISCELLANEOUS REVENUE**

In 2016, miscellaneous revenue in the Special Revenue Tax Increment Financing Fund type consisted of payments in lieu of taxes.

**10. COMPLIANCE**

Contrary to Ohio Rev. Code § 5705.10, on-behalf grant receipts and disbursements were recorded in the improper funds in 2016.

**MARK 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, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$27,744	\$85,567		\$113,311
Charges for Services		2,212		2,212
Licenses, Permits and Fees	941			941
Intergovernmental	37,517	113,763	\$53,439	204,719
Earnings on Investments	321	209		530
Miscellaneous	1,500	14,888		16,388
<i>Total Cash Receipts</i>	<u>68,023</u>	<u>216,639</u>	<u>53,439</u>	<u>338,101</u>
<b>Cash Disbursements</b>				
Current:				
General Government	47,465	1,472		48,937
Public Safety		20,750		20,750
Public Works		138,966		138,966
Health	3,350			3,350
Capital Outlay		10,400	53,439	63,839
Debt Service:				
Principal Retirement		4,922		4,922
<i>Total Cash Disbursements</i>	<u>50,815</u>	<u>176,510</u>	<u>\$53,439</u>	<u>280,764</u>
<i>Excess of Receipts Over Disbursements</i>	17,208	40,129		57,337
<b>Other Financing Receipts</b>				
Sale of Capital Assets		1,000		1,000
<i>Net Change in Fund Cash Balances</i>	17,208	41,129		58,337
<i>Fund Cash Balances, January 1</i>	<u>130,335</u>	<u>343,902</u>		<u>474,237</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		341,647		341,647
Committed		43,384		43,384
Assigned	141,276			141,276
Unassigned	6,267			6,267
<i>Fund Cash Balances, December 31</i>	<u>\$147,543</u>	<u>\$385,031</u>		<u>\$532,574</u>

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

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 Mark 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 and cemetery maintenance. The Township contracts with the Villages of Hicksville and Sherwood to provide fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority, a 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 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.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. The 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.

The Township's repurchase agreement investment is recorded at the amount reported by First Federal Bank on December 31, 2015.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.



**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

**3. 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:

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund 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. Appropriations lapse at year end.

**2. 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.

**3. 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 2015 budgetary activity appears in Note 3.

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**F. 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:

**1. Nonspendable**

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

**2. 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.

**3. 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.

**4. 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.

**5. 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.

**G. 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.

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**2. EQUITY IN POOLED 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:

	2015
Demand deposits	\$175,000
Repurchase agreement	357,574
Total deposits and investments	\$532,574

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,250	\$68,023	\$16,773
Special Revenue	194,000	217,639	23,639
Capital Projects	69,293	53,439	(15,854)
Total	\$314,543	\$339,101	\$24,558

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$175,206	\$50,815	\$124,391
Special Revenue	394,774	176,510	218,264
Capital Projects	69,293	53,439	15,854
Total	\$639,273	\$280,764	\$358,509

**4. 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.

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.

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan - CE34H	\$35,575	0.00%
Ohio Public Works Commission Loan - CE36J	8,242	0.00%
Total	\$43,817	

The Ohio Public Works Commission (OPWC) Loan – CE34H was obtained to help finance the Breininger Road reconstruction project. The OPWC originally approved \$75,500 in an interest free loan to the Township for this project. The loan will be repaid in semiannual payments over 20 years.

The Ohio Public Works Commission (OPWC) Loan – CE36J was obtained to help finance the Williams Center-Cecil Road reconstruction project. The OPWC originally approved \$18,000 in an interest free loan to the Township for this project. The loan will be repaid in semiannual payments over 15 years.

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

Year ending December 31:	OPWC Loan CE34H	OPWC Loan CE36J
2016	\$3,745	\$1,177
2017	3,745	1,177
2018	3,745	1,177
2019	3,745	1,177
2020	3,745	1,177
2021-2025	16,850	2,357
Total	\$35,575	\$8,242

**6. DEFINED BENEFIT PENSION PLAN**

***Ohio Public Employees 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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**7. POSTEMPLOYMENT BENEFITS**

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

**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 Workers' Compensation.

**Risk Pool Membership**

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, 2015, 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

**MARK TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$1,000.

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

<b><u>Contributions to OTARMA</u></b>	
<b><u>2015</u></b>	<b><u>2014</u></b>
\$2,571	\$2,493

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.

**9. MISCELLANEOUS REVENUE**

In 2015, miscellaneous revenue in the Special Revenue Tax Increment Financing Fund consisted of payments in lieu of taxes.

**10. COMPLIANCE**

Contrary to Ohio Rev. Code § 5705.10, homestead and rollback, local government, and charges for services monies were posted to various improper funds in 2015.



# Dave Yost • Auditor of State

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

Mark Township  
Defiance County  
10625 Breininger Road  
Hicksville, Ohio 43526-9338

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 Mark Township, Defiance County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 10, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-003 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 an instance of noncompliance or another matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 10, 2017



**MARK TOWNSHIP  
DEFIANCE COUNTY**

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

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

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.10** requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose be paid into a special fund for such purpose. Furthermore, all money paid into any fund shall be used only for the purpose for which such fund is established.

- In 2016, the Township was the beneficiary of \$3,110 of Ohio Public Works Commission (OPWC) money paid directly to the vendor by the OPWC on behalf of the Township. The OPWC grant receipts were misposted as miscellaneous receipts instead of intergovernmental receipts in the General Fund while the grant disbursements were incorrectly recorded as public works disbursements instead of capital outlay disbursements in the Special Revenue Gasoline Tax Fund. The General Fund balance was overstated and the Special Revenue Gasoline Tax Fund balance was understated by this amount. The OPWC grant receipt and disbursement activity should have been recorded in the Capital Projects OPWC Fund in line with Auditor of State Bulletin 2000-008 regarding recording of on-behalf grant activity.
- In 2015, homestead and rollback monies were incorrectly posted to the improper funds, which resulted in the fund balances being understated by \$4,064 in the Road and Bridge Fund and overstated by \$2,441 in the General Fund, \$332 in the Fire District Fund, and \$1,290 in the Fire and Rescue, Ambulance and Emergency Medical Services (EMS) Fund.
- In 2015, local government receipts totaling \$405 were misposted to the Road and Bridge Fund by \$85, the Fire District Fund by \$139, and the Fire and Rescue, Ambulance, and EMS Fund by \$181 when these monies should have been posted to the General Fund.
- In 2015, charges for services for Emergency Medical Services in the amount of \$2,212 were misposted to the General Fund instead of the Special Revenue Fire and Rescue, Ambulance and Emergency Medical Services Fund.

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

These errors were not identified and corrected prior to the audit due to deficiencies in the Township's financial statement monitoring.

These situations 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.

To help prevent monies from being used for purposes other than those prescribed by law, we recommend the Fiscal Officer review all financial transactions to make sure they are included in the proper fund and account codes as specified in the Ohio Revised Code and the Ohio Township Handbook issued by the Auditor of State. In addition, the Fiscal Officer should review Auditor of State Bulletin 2000-008 regarding the recording of on-behalf grant activity.

## FINDING NUMBER 2016-002

### Material Weakness – Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is fairly stated. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balance be divided into one of five classifications (nonspendable, restricted, committed, assigned, and unassigned) based on the extent to which constraints are imposed upon the resources in the governmental funds.

The Fiscal Officer is responsible for the majority of the functions related to the accounting records. Without proper separation of duties, there is a possibility errors or fraud could occur and not be detected in a timely period.

The Township lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- In 2016, homestead and rollback monies related to the Township's tax levies were misposted as property taxes instead of intergovernmental receipts in the General Fund by \$3,722, Special Revenue Road and Bridge Fund by \$6,203, Special Revenue Fire District Fund by \$2,307, and Special Revenue Fire and Rescue, Ambulance, and Emergency Medical Services Fund by \$1,929.
- In 2015, property taxes totaling \$17,008 in the General Fund were misclassified as charges for services.
- As of December 31, 2016 and 2015, the Special Revenue Road and Bridge Fund balance in the amount of \$69,145 and \$43,384, respectively, was improperly classified as restricted fund balance instead of committed fund balance, since inside millage on a township road and bridge levy is only internally imposed by the Trustees.
- As of December 31, 2016 and 2015, the General Fund's appropriations exceeded estimated receipts for the subsequent year, and as such, this excess should have been reported as assigned fund balance instead of unassigned fund balance in accordance with GASB Statement No. 54. This overstated the unassigned fund balance and understated the assigned fund balance in the General Fund by \$162,102 and \$141,276, respectively.

As a result, the Township's financial statements did not correctly reflect the financial activity of the Township. The Township's financial statements and accounting records have been adjusted to reflect these and other discrepancies ranging from \$85 to \$162,102.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual and GASB Statement No. 54. Furthermore, the Township should adopt policies and procedures, including a fiscal review of the financial statements and notes to the financial statements, by the Fiscal Officer and the Trustees to help ensure errors and omissions are detected and corrected. Additionally, we recommend the Township review Auditor of State Bulletin 2011-004 and monitor the financial statements for inclusion of the proper GASB 54 disclosures.

**FINDING NUMBER 2016-003**

**Material Weakness – Posting of Estimated Receipts**

At December 31, 2016 and 2015, estimated receipts entered in the accounting system did not agree with estimated receipts certified by the County Budget Commission on the certificates of estimated resources by the following amounts in the following funds:

Fund	Certified Estimated Receipts	Posted Estimated Receipts	Difference
<b><i>For the year ended December 31, 2016:</i></b>			
General Fund	\$63,400	\$54,942	(\$8,458)
Special Revenue Motor Vehicle License Tax Fund	15,700	15,575	(125)
Special Revenue Gasoline Tax Fund	84,000	82,125	(1,875)
Special Revenue Road and Bridge Fund	51,900	47,000	(4,900)
Special Revenue Fire District Fund	22,400	22,000	(400)
Special Revenue Permissive Motor Vehicle License Tax Fund	3,500	3,006	(494)
Special Revenue Fire & Rescue, Ambulance, and Emergency Medical Services Fund	17,300	18,000	700
Special Revenue TIF Fund	9,000	6,000	(3,000)
Capital Projects Ohio Public Works Commission Fund		6,000	6,000
<b><i>For the year ended December 31, 2015:</i></b>			
Special Revenue Motor Vehicle License Tax Fund	12,500	12,040	(460)
Special Revenue Gasoline Tax Fund	76,000	75,250	(750)
Special Revenue Road and Bridge Fund	51,500	51,000	(500)
Special Revenue Fire District Fund	22,100	21,000	(1,100)
Special Revenue Permissive Motor Vehicle License Tax Fund	2,700	2,406	(294)
Special Revenue Fire & Rescue, Ambulance, and Emergency Medical Services Fund	20,200	20,000	(200)

Additionally, the errors occurred in the posting of estimated receipts since the Fiscal Officer did not compare the total posted estimated receipts to the certificate of estimated resources from the County Budget Commission. Furthermore, there was not an adequate review of the budgetary reports by the Fiscal Officer and the Board. The notes to the financial statements have been corrected to reflect amounts officially approved and certified by the County Budget Commission on the certificates of estimated resources.

We recommend that the Township develop policies and implement procedures to assure that all estimated receipt amendments are properly approved by the Board and submitted to the County Budget Commission. We further recommend Township Officials periodically review the posted budgetary amounts to ensure they match the amounts approved by the Board.

**Officials' Response:**

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

**MARK TOWNSHIP  
DEFIANCE COUNTY**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Material weakness for lack of monitoring of financial transactions.	Not corrected. Reissued as finding 2016-002 in this report.	The client declined to offer an explanation why the finding reoccurred. The Fiscal Officer plans to review future postings of financial activity to make sure they are properly reported in the accounting ledgers and financial statements.
2014-002	Material weakness and noncompliance citation of Ohio Rev. Code § 5705.39 for appropriations exceeding estimated resources.	Corrective action taken and finding is fully corrected.	
2014-003	Material noncompliance citation of Ohio Rev. Code § 5705.10 for posting receipts to the improper funds.	Not corrected. Reissued as finding 2016-001 in this report.	The client declined to offer an explanation why the finding reoccurred. The Fiscal Officer plans to review future receipt and disbursement postings to make sure they are posted to the correct funds.

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# Dave Yost • Auditor of State

**MARK 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  
AUGUST 29, 2017**