



Dave Yost • Auditor of State

NOBLE TOWNSHIP
DEFIANCE COUNTY

DECEMBER 31, 2016 AND 2015

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Noble Township
Defiance County
22485 Mill Street
Defiance, Ohio 43512-1211

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 Noble 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 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, 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 Noble 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 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 16, 2017

**NOBLE TOWNSHIP
DEFIANCE COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$12,712	\$218,942			\$231,654
Charges for Services		15,048			15,048
Licenses, Permits and Fees	2,450	1,375			3,825
Intergovernmental	30,992	131,410		\$15,368	177,770
Special Assessments			\$2,103		2,103
Earnings on Investments	1,069	225			1,294
Miscellaneous	3,600	1,200			4,800
<i>Total Cash Receipts</i>	<u>50,823</u>	<u>368,200</u>	<u>2,103</u>	<u>15,368</u>	<u>436,494</u>
Cash Disbursements					
Current:					
General Government	46,238	32,612			78,850
Public Safety		75,688			75,688
Public Works		206,714		15,368	222,082
Health		1,927			1,927
Debt Service:					
Principal Retirement		6,743	2,103		8,846
Interest and Fiscal Charges		337			337
<i>Total Cash Disbursements</i>	<u>46,238</u>	<u>324,021</u>	<u>\$2,103</u>	<u>\$15,368</u>	<u>387,730</u>
<i>Excess of Receipts Over Disbursements</i>	<u>4,585</u>	<u>44,179</u>			<u>48,764</u>
Other Financing Receipts					
Other Financing Sources	428	4,347			4,775
<i>Net Change in Fund Cash Balances</i>	5,013	48,526			53,539
<i>Fund Cash Balances, January 1</i>	<u>190,604</u>	<u>358,842</u>			<u>549,446</u>
Fund Cash Balances, December 31					
Restricted		407,368			407,368
Assigned	195,617				195,617
<i>Fund Cash Balances, December 31</i>	<u>\$195,617</u>	<u>\$407,368</u>			<u>\$602,985</u>

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

Noble Township
Defiance County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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

The Township participates in the Ohio Township Association Risk Management public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund - The General fund accounts for and reports all financial resources not accounted for and reported in another fund. The General fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

Debt Service Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Lake Christi Meadows Loan Fund - This fund receives special assessment money to pay for a loan received from the Ohio Public Works Commission.

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:

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

Issue II and/or LTIP - The Township received a grant from the State of Ohio and administered by the Defiance County Engineer to maintain and repair Township roads.

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. The County Budget Commission must also approve the annual appropriation measure. 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 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

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

Capital Assets

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

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.

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

Fund Balance

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

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

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

Committed - Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General fund report all fund balances as *assigned* unless they are restricted or committed. In the General fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the General fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Fund Type	2016 Budgeted vs. Actual Receipts		Variance
	Budgeted Receipts	Actual Receipts	
General	\$51,925	\$51,251	(\$674)
Special Revenue	358,580	372,547	13,967
Debt Service	2,300	2,103	(197)
Capital Projects	15,368	15,368	
Total	\$428,173	\$441,269	\$13,096

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

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$242,529	\$46,238	\$196,291
Special Revenue	711,491	324,021	387,470
Debt Service	2,300	2,103	197
Capital Projects	15,368	15,368	
Total	<u>\$971,688</u>	<u>\$387,730</u>	<u>\$583,958</u>

Note 4 – Deposits and Investments

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

	2016
Demand deposits	<u>\$367,821</u>
STAR Ohio	235,164
Total deposits and investments	<u><u>\$602,985</u></u>

Deposits

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

Investments

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

Note 5 – Property Taxes

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

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

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

Note 6 - Risk Management

Ohio Township Association Risk Management Authority

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.

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$4,675.

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.

Contributions to OTARMA
2016
\$10,390

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

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

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

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

Social Security

Township's fire fighters contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Note 8 – Postemployment Benefits

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

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>
Ohio Public Works Commission Loan	<u>\$22,415</u>

In 2001, the Township obtained an interest free loan in the amount of \$81,508 from the Ohio Public Works Commission. The loan proceeds were used to finance a drainage project within the Township. This loan has a 20 year term and will mature on July 1, 2022. In the event of default, the Ohio Public Works Commission may, at its discretion, direct the Defiance County Treasurer to pay the amount due from the funds which would otherwise be appropriated to the Township from Defiance County's undivided local government fund. The loan will be repaid from the Tax Increment Financing Fund.

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

Amortization of the above debt is scheduled as follows:

Year ending December 31:	Ohio Public Works Commission Loan
2017	\$4,075
2018	4,075
2019	4,075
2020	4,075
2021-2022	6,115
Total	\$22,415

Note 10 – Miscellaneous Receipts

In 2016, General Fund miscellaneous receipts consisted of building rental fees charged to the Brunersburg Water District for use of the Township Hall totaling \$3,600.

Note 11 – Compliance

Contrary to Ohio law, General Fund appropriations were not correctly posted in 2016.

**NOBLE 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	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$13,185	\$216,582			\$229,767
Charges for Services		11,819			11,819
Licenses, Permits and Fees	750	1,926			2,676
Intergovernmental	35,598	131,819		\$60,007	227,424
Special Assessments			\$2,220		2,220
Earnings on Investments	281	38			319
Miscellaneous	3,300	600			3,900
<i>Total Cash Receipts</i>	<u>53,114</u>	<u>362,784</u>	<u>2,220</u>	<u>60,007</u>	<u>478,125</u>
Cash Disbursements					
Current:					
General Government	175,098	32,643			207,741
Public Safety		71,571			71,571
Public Works		199,961		60,007	259,968
Health		955			955
Debt Service:					
Principal Retirement	72,500		2,276		74,776
<i>Total Cash Disbursements</i>	<u>247,598</u>	<u>305,130</u>	<u>2,276</u>	<u>\$60,007</u>	<u>615,011</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(194,484)</u>	<u>57,654</u>	<u>(56)</u>		<u>(136,886)</u>
Other Financing Receipts					
Sale of Notes	79,243				79,243
Sale of Capital Assets	72,500				72,500
Other Financing Sources	398	12,012			12,410
<i>Total Other Financing Receipts</i>	<u>152,141</u>	<u>12,012</u>			<u>164,153</u>
<i>Net Change in Fund Cash Balances</i>	(42,343)	69,666			27,323
<i>Fund Cash Balances, January 1</i>	<u>232,947</u>	<u>289,176</u>	<u>\$56</u>		<u>522,179</u>
Fund Cash Balances, December 31					
Restricted		358,842			358,842
Assigned	190,604				190,604
<i>Fund Cash Balances, December 31</i>	<u>\$190,604</u>	<u>\$358,842</u>			<u>\$549,446</u>

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

Noble Township
Defiance County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

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

The Township participates in the Ohio Township Association Risk Management public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Lake Christi Meadows Loan Fund This fund receives special assessment money to pay for a loan received from the Ohio Public Works Commission.

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:

Noble Township
Defiance County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Issue II and/or LTIP The Township received a grant from the State of Ohio and administered by the Defiance County Engineer to maintain and repair Township roads.

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. The County Budget Commission must also approve the annual appropriation measure. 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 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

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

Capital Assets

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

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.

Noble Township
Defiance County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Fund Balance

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

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

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

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,728	\$205,255	\$17,527
Special Revenue	370,605	374,796	4,191
Debt Service	2,300	2,220	(80)
Capital Projects	60,007	60,007	
Total	\$620,640	\$642,278	\$21,638

Noble Township
Defiance County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$268,988	\$247,598	\$21,390
Special Revenue	640,876	305,130	335,746
Debt Service	2,300	2,276	24
Capital Projects	60,007	60,007	
Total	<u>\$972,171</u>	<u>\$615,011</u>	<u>\$357,160</u>

Note 4 – Deposits and Investments

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

	<u>2015</u>
Demand deposits	\$315,534
STAR Ohio	233,912
Total deposits and investments	<u>\$549,446</u>

Deposits

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

Investments

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

Note 5 – Property Taxes

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

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

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

Noble Township
Defiance County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 6 - Risk Management

Ohio Township Association Risk Management Authority

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, 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 (the latest information available):

	<u>2015</u>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015 the liabilities above include approximately \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.2 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. 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 \$4,000.

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

Noble Township
Defiance County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2015	\$9,281

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

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

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

Social Security

Township's fire fighters contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Note 8 – Postemployment Benefits

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

Noble Township
Defiance County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal
Ohio Public Works Commission Loan	\$26,490
State Bank & Trust	6,743
Total	\$33,233

In 2001, the Township obtained an interest free loan in the amount of \$81,508 from the Ohio Public Works Commission. The loan proceeds were used to finance a drainage project within the Township. This loan has a 20 year term and will mature on July 1, 2022. In the event of default, the Ohio Public Works Commission may, at its discretion, direct the Defiance County Treasurer to pay the amount due from the funds which would otherwise be appropriated to the Township from Defiance County's undivided local government fund. The loan will be repaid from the Tax Increment Financing Fund.

In 2015, the Township obtained a note in the amount of \$79,243 from the State Bank & Trust. The note proceeds were used to finance the purchase of a new dump truck. A principal payment of \$72,500 was made in 2015 following the sale of the old dump truck. The remaining balance will be repaid in 2016.

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

	Ohio Public Works Commission Loan	State Bank & Trust
Year ending December 31:		
2016	\$4,075	\$7,080
2017	4,075	
2018	4,075	
2019	4,075	
2020	4,075	
2021-2022	6,115	
Total	\$26,490	\$7,080

Note 10 – Compliance

In 2015, posted appropriations exceeded approved appropriations by \$72,144 in the General Fund and \$10,007 in the Ohio Public Works Commission Grant Fund.



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

Noble Township
Defiance County
22485 Mill Street
Defiance, Ohio 43512-1211

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 Noble 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 16, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-002.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

August 16, 2017

**NOBLE TOWNSHIP
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness

Financial Reporting

The Township's management is responsible for the fair presentation of the financial statements. In addition, GASB Statement No. 54 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 noted in the financial statements that required audit adjustments:

- \$12,368 and \$10,006 of Ohio Public Works Commission Grant Capital fund receipts and disbursements were not recorded in the Ohio Public Works Commission Capital Projects Fund in 2016 and 2015, respectively.
- The unassigned General Fund balance was overstated and assigned fund balance for subsequent year appropriations was understated by \$195,617 and \$190,604 in 2016 and 2015, respectively.
- In 2015, General Fund sale of note proceeds of \$79,243 was recorded as other financing sources.
- In 2015, General Fund sale of capital assets proceeds of \$72,500 was recorded as other financing sources.

These errors were a result of inadequate policies and procedures in reviewing the financial statements. The accompanying financial statements were adjusted to correct these errors. Additional errors were noted in smaller relative amounts.

Sound financial reporting is the responsibility of the Fiscal Officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the audit committee to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Auditor of State's Township handbook which contains a chart of accounts as well as AoS Bulletin 2011-004 for guidance on GASB 54.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of law that govern the making of the original appropriation. The appropriations recorded in the Township's ledgers differed from the legally adopted appropriation amounts approved by Council and submitted to the County Budget Commission in the following funds:

Funds	Board Approved Appropriation Amount	Posted Appropriation Amounts	Variance
For the Year Ended December 31, 2015			
General Fund	\$268,988	\$341,132	\$72,144
Ohio Public Works Commission Grant Fund	60,007	50,000	10,007
For the Year Ended December 31, 2016			
General Fund	\$242,529	\$241,539	\$990

These errors were due to inadequate policies and procedures in monitoring appropriations. The accompanying notes were adjusted to reflect appropriations at the Board authorized amounts. Failure to properly record appropriations in the accounting system could lead to the Board making misinformed decisions.

We recommend the Fiscal Officer only post appropriation measures which have been formally approved by the Board of Trustees in the minutes. We also recommend the Board of Trustees develop procedures to ensure proper posting to the accounting system and financial statements.

Officials' Response:

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



Dave Yost • Auditor of State

NOBLE TOWNSHIP

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 5, 2017**