

***BUFFALO TOWNSHIP***

***NOBLE COUNTY, OHIO***

**REGULAR AUDIT**

**For the Years Ended December 31, 2016 and 2015**







# Dave Yost • Auditor of State

Board of Trustees  
Buffalo Township  
51746 Old Infirmary Road  
Pleasant City, Ohio 43772

We have reviewed the *Independent Auditor's Report* of Buffalo Township, Noble County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Buffalo Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 28, 2017

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**BUFFALO TOWNSHIP  
NOBLE COUNTY**

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**INDEPENDENT AUDITOR'S REPORT**

Buffalo Township  
Noble County  
51746 Old Infirmary Road  
Pleasant City, Ohio 43772

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 Buffalo Township, Noble County, (the Township) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements.

***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.

***Basis for Adverse Opinion on Regulatory Basis of Accounting***

During a prior audit for the period from January 1, 2007 to December 31, 2008, the Township improperly paid salaries for Trustees from the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$7,776 that should have been paid from the General Fund, in the amount of \$7,776. The Township declined to make this adjustment.

During a prior audit for the period from January 1 2009 to December 31, 2010, the Township paid employees \$3,195 from the Motor Vehicle License Tax Fund, \$150 from the Permissive License Tax Fund and \$7,751 from the Gasoline Tax Fund, Special Revenue Fund types instead of the General Fund, in the amount of \$11,096 for mowing of cemeteries within the Township and charging road funds and the improper allocation of Trustee salaries and fringes to Gasoline Tax Fund instead of General Fund. The Township declined to make this adjustment.

During a prior audit for the period from January 1, 2011 to December 31, 2012, the Township paid for mowing of cemeteries from Gasoline Tax and Motor Vehicle License Tax Fund in the amounts of \$3,282 and \$3,789, respectively, improperly allocated Fiscal Officer and Trustee salaries to the Gasoline Tax Fund, in the amount of \$4,843 instead of posting these expenditures to the General Fund, in the amount of \$11,914. Also, the Township posted rollback/homestead receipts to the Gasoline Tax Fund, in the amount of \$1,388 instead of to the General Fund. The Township declined to make these adjustments.

***Adverse Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Buffalo Township, Noble 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 June 29, 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.

*Charles E. Harris & Associates*

***Charles E. Harris & Associates, Inc.***

June 29, 2017

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 22,634	\$ 11,551	\$ 34,185
Intergovernmental	15,573	93,297	108,870
Earnings on Investments	791	20	811
Miscellaneous	506	131	637
<i>Total Cash Receipts</i>	<u>39,504</u>	<u>104,999</u>	<u>144,503</u>
<b>Cash Disbursements</b>			
Current:			
General Government	24,667	-	24,667
Public Safety	-	4,157	4,157
Public Works	-	121,933	121,933
<i>Total Cash Disbursements</i>	<u>24,667</u>	<u>126,090</u>	<u>150,757</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	14,837	(21,091)	(6,254)
<i>Fund Cash Balances, January 1</i>	<u>58,522</u>	<u>78,934</u>	<u>137,456</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	47,426	47,426
Committed	-	10,417	10,417
Unassigned	73,359	-	73,359
<i>Fund Cash Balances, December 31</i>	<u>\$ 73,359</u>	<u>\$ 57,843</u>	<u>\$ 131,202</u>

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

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 21,770	\$ 12,040	\$ 33,810
Intergovernmental	19,107	97,270	116,377
Earnings on Investments	31	21	52
Miscellaneous	482	-	482
<i>Total Cash Receipts</i>	<u>41,390</u>	<u>109,331</u>	<u>150,721</u>
<b>Cash Disbursements</b>			
Current:			
General Government	29,550	-	29,550
Public Safety	-	3,114	3,114
Public Works	-	102,631	102,631
Debt Service:			
Principal Retirement	-	6,325	6,325
Interest and Fiscal Charges	-	88	88
<i>Total Cash Disbursements</i>	<u>29,550</u>	<u>112,158</u>	<u>141,708</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	11,840	(2,827)	9,013
<i>Fund Cash Balances, January 1</i>	<u>46,682</u>	<u>81,761</u>	<u>128,443</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	66,092	66,092
Committed	-	12,842	12,842
Unassigned	58,522	-	58,522
<i>Fund Cash Balances, December 31</i>	<u>\$ 58,522</u>	<u>\$ 78,934</u>	<u>\$ 137,456</u>

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

**BUFFALO TOWNSHIP**  
**NOBLE COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS*  
*DECEMBER 31, 2016 and 2015*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Buffalo Township, Noble 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 Caldwell, Belle Valley, Pleasant City and Senecaville Volunteer fire departments to provide fire and emergency medical protection services.

***Public Entity Risk Pools***

The Township participates in one joint venture and the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Notes 6 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Gasoline Tax Fund*** The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

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

**BUFFALO TOWNSHIP**  
**NOBLE COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS*  
*DECEMBER 31, 2016 AND 2015*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2016 and 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.

***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.

**BUFFALO TOWNSHIP**  
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)

**Note 2- Summary of Significant Accounting Policies (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** The 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. The Board may also assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the General Fund.

**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 and 2015 follows:

<b>2016 Budgeted vs. Actual Receipts</b>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 33,600	\$ 39,504	\$ 5,904
Special Revenue	109,067	104,999	(4,068)

**BUFFALO TOWNSHIP**  
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)

**Note 3 – Budgetary Activity (Continued)**

**2016 Budgeted vs. Actual Budgetary Basis Disbursements**

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 91,422	\$ 24,667	\$ 66,755
Special Revenue	191,053	126,090	64,963

**2015 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 28,950	\$ 41,390	\$ 12,440
Special Revenue	107,600	109,331	1,731

**2015 Budgeted vs. Actual Budgetary Basis Disbursements**

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 75,631	\$ 29,550	\$ 46,081
Special Revenue	189,361	112,158	77,203

**Note 4 – Deposits**

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

	2016	2015
Demand Deposits	<u>\$ 131,202</u>	<u>\$ 137,456</u>

**Deposits**

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

**BUFFALO TOWNSHIP**  
*NOBLE COUNTY*

*NOTES TO THE FINANCIAL STATEMENTS*  
*DECEMBER 31, 2016 AND 2015*  
*(Continued)*

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**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**

***Risk Pool Membership***

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), 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 and 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, 2016 and 2015.



**BUFFALO TOWNSHIP**  
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)

**Note 6 – Risk Management (Continued)**

	2016	2015
Assets	\$ 3,843,283	\$37,313,311
Liabilities	8,244,140	8,418,518
Net Position	30,229,143	28,894,793

At December 31, 2016 and 2015 respectively, the liabilities above include approximately \$7.4 and \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 and \$7.7 million of unpaid claims to be billed to approximately 1,010 and 989 member governments in the future, as of December 31, 2016 and 2015, respectively. 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 \$2,000.

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.

2016 Contributions to OTARMA	2015 Contributions to OTARMA
\$ 2,905	\$ 2,900

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***

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

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**BUFFALO TOWNSHIP**  
**NOBLE COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS*  
*DECEMBER 31, 2016 AND 2015*  
*(Continued)*

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**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, contributes 0.5 percent to fund these benefits.

**Note 9 – Contingent Liabilities**

The Township may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially affect the Township's financial condition.

**Note 10 – Related Party Transactions**

The Township does business with the Fiscal Officer's son and one of the Trustee's son's. The Township hires them to do mowing of Township Cemeteries. The Township paid \$2,080 in 2016 and \$2,600 in 2015 for these services. The Trustee abstained from voting on the hiring of his son. The Fiscal Officer did not directly hire her son for the mowing services.

**Note 11 – Debt**

All debt was extinguished in 2015 and there was no debt outstanding at December 31, 2016.

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

Buffalo Township  
Noble County  
51746 Old Infirmary Road  
Pleasant City, Ohio 43772

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 Buffalo Township, Noble County, (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 June 29, 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. We issued an adverse opinion on 2016 and 2015 financial statements due to the Township declining to make adjustments for mispostings.

**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 audit 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 matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-003.

We also noted certain other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 29, 2017.

### ***Township's Responses to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Township's responses and, accordingly, we express no opinion on them.

### **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.



**Charles E. Harris & Associates, Inc.**  
June 29, 2017

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED 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 - Material Weakness**

**Posting Receipts, Disbursements and Fund Balances**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be posted properly classified based on Governmental Accounting Standards Statement No. 54.

During 2016 and 2015, receipts, disbursements and fund balances were not always posted correctly. The following posting errors were noted:

- Rollback/homestead money received from the State were not properly allocated according to the Apportionment sheet in 2016 and 2015;
- Real Estate Tax receipts received from the County was recorded as Gasoline Tax – Miscellaneous Operating instead of Property and Other Local Taxes in 2016;
- Rollback/homestead money received from the State were recorded as Property and Other Local Taxes instead of Intergovernmental in 2016 and 2015;
- Local Government Distribution received from the County was recorded as Gasoline Excise Tax in the Gasoline Tax Fund instead of Local Government Distribution in the General Fund;
- Local Government Distribution received from the County was recorded as Other Financing Sources instead of Intergovernmental in 2016 and 2015;
- Gasoline Excise Tax receipts received from the County was posted to Other Financing Sources in the Motor Vehicle License Tax Fund instead of Intergovernmental in the Gasoline Tax Fund in 2016;
- Permissive Motor Vehicle License Tax receipts received from the County was recorded as Property Tax Allocation in the Fire Levy Fund instead of Permissive Tax in the Permissive Motor Vehicle Tax fund in 2016 and 2015;
- 2<sup>nd</sup> half rollback/homestead receipts was posted to the UAN accounting system twice in 2016. This caused the Fiscal Officer to carry a Deposit in Transit on the bank to book reconciliation so the bank and book would reconcile;
- Principal and interest payments on the Township’s debt was recorded as Public works instead of allocated between Principal and Interest in 2015;
- Interest on the Township’s Certificate of Deposit was not recorded by the Fiscal Officer in 2016 and 2015;
- Fund balances in the Gasoline Tax and Motor Vehicle License Tax Funds were recorded as committed fund balance rather than restricted fund balance in 2016 and 2015.

Not posting receipts, disbursements and fund balances accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all adjustments and reclassifications. The Township has made the adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts, disbursements and fund balances are properly identified and classified on the financial statements.

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

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

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

We also recommend the Fiscal Officer refer to Ohio Administrative Code, UAN manual, the Ohio Township Handbook and Auditor of State for guidance to determine the proper establishment of receipt and disbursement accounts and posting receipts and disbursements. The Fiscal Officer should refer to GASB 54 and Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances.

**Managements' Response** – See Corrective Action Plan.

**FINDING NUMBER 2016-002 - Material Weakness**

**Bank Reconciliations**

Bank Reconciliations should be prepared monthly in a timely and accurate manner. Throughout the audit period, the Fiscal Officer did not reconcile the end of month bank balance to accurate end of month cash balances per the Township's accounting system.

The lack of accurate and timely performance of monthly bank reconciliations resulted in numerous errors which remained undetected and uncorrected until performance of the audit. These errors resulted in adjustments to the accounting system and financial statements to present accurate cash balances at year end. These adjustments are discussed in Finding 2016-001.

We recommend the Fiscal Officer reconcile the month end bank balance to the cash balance per the accounting system on a monthly basis. We also recommend this reconciliation be reviewed and approved, as indicated by the signature of reviewing members of the Board of Trustees.

**Managements' Response** – See Corrective Action Plan.

**FINDING NUMBER 2016-003 - Noncompliance**

**Ohio Revised Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-003 - (Continued)**

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 100% of the expenditures tested for 2016 and for 97% of the expenditures tested for 2015.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

**Managements' Response** – See Corrective Action Plan.

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Revised Code 5705.41(D) Purchase Order not preceding the invoice date.	Not Corrected	Reissued as finding 2016-003



**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**CORRECTIVE ACTION PLAN  
DECEMBER 31, 2016 and 2015**

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2016-001	Fiscal Officer will refer to the Township handbook and UAN manual to properly classify transactions	Immediately	Valerie Dimmerling, Fiscal Officer
2016-002	Fiscal Officer will complete the bank to book reconciliations timely and will investigate and resolve any regularities.	Immediately	Valerie Dimmerling, Fiscal Officer
2016-003	The Fiscal Officer will follow Ohio Revised Code concerning the issuing of Purchase Orders.	Immediately	Valerie Dimmerling, Fiscal Officer

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# Dave Yost • Auditor of State

**BUFFALO TOWNSHIP**

**NOBLE 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  
NOVEMBER 21, 2017**