

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010





# Dave Yost • Auditor of State

Board of Trustees  
Holmes Township  
3865 Holmes Center Road  
Bucyrus, Ohio 44820

We have reviewed the *Independent Auditors' Report* of Holmes Township, Crawford County, prepared by Holbrook & Manter, for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Holmes Township is responsible for compliance with these laws and regulations.

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Dave Yost  
Auditor of State

January 29, 2013

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### INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Holmes Township  
Crawford County

We have audited the accompanying financial statements of Holmes Township, Crawford County, Ohio, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

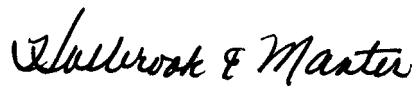
Instead of the combined funds the accompanying financial statements present for 2011 and 2010, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, townships to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Holmes Township, Crawford County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 2, during 2011 the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Kullerow & Maater". The signature is fluid and cursive, with "Kullerow" on the top line and "& Maater" on the bottom line.

Certified Public Accountants

December 12, 2012

**HOLMES TOWNSHIP**  
**CRAWFORD COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Memorandum Only</u>
<b>CASH RECEIPTS:-</b>				
Property tax and other local taxes	\$ 31,495	\$ 71,282	\$ 0	\$ 102,777
Intergovernmental receipts	20,522	108,905	0	129,427
Earnings on investments	1,728	887	0	2,615
Miscellaneous	<u>800</u>	<u>1,441</u>	<u>0</u>	<u>2,241</u>
<b>Total cash receipts</b>	<b>54,545</b>	<b>182,515</b>	<b>0</b>	<b>237,060</b>
<b>CASH DISBURSEMENTS:-</b>				
Current:-				
General government	45,826	23,790	0	69,616
Public safety	0	9,224	0	9,224
Public works	48,902	93,770	0	142,672
Health	9,861	0	0	9,861
Capital outlay	<u>560</u>	<u>44,366</u>	<u>0</u>	<u>44,926</u>
<b>Total cash disbursements</b>	<b><u>105,149</u></b>	<b><u>171,150</u></b>	<b><u>0</u></b>	<b><u>276,299</u></b>
<b>Total receipts over (under) cash disbursements</b>	<b>( 50,604)</b>	<b>11,365</b>	<b>0</b>	<b>( 39,239)</b>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of notes	<u>0</u>	<u>35,750</u>	<u>0</u>	<u>35,750</u>
<b>Total other financing receipts (disbursements)</b>	<b><u>0</u></b>	<b><u>35,750</u></b>	<b><u>0</u></b>	<b><u>35,750</u></b>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements And Other Financing Disbursements	<u>( 50,604)</u>	<u>47,115</u>	<u>0</u>	<u>( 3,489)</u>
Fund cash balances, January 1, 2011	<u>140,016</u>	<u>105,537</u>	<u>966</u>	<u>246,519</u>
<b>Fund cash balances, December 31, 2011</b>				
Restricted	0	142,618	966	143,584
Committed	0	10,034	0	10,034
Unassigned (deficit)	<u>89,412</u>	<u>0</u>	<u>0</u>	<u>89,412</u>
Fund cash balances, December 31, 2011	<u>\$ 89,412</u>	<u>\$ 152,652</u>	<u>\$ 966</u>	<u>\$ 243,030</u>

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

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Memorandum Only</u>
<b>CASH RECEIPTS:-</b>				
Property tax and other local taxes	\$ 37,244	\$ 68,287	\$ 0	\$ 105,531
Intergovernmental receipts	126,512	100,746	0	227,258
Earnings on investments	961	278	0	1,239
Miscellaneous	<u>1,890</u>	<u>630</u>	<u>0</u>	<u>2,520</u>
<b>Total cash receipts</b>	<b>166,607</b>	<b>169,941</b>	<b>0</b>	<b>336,548</b>
<b>CASH DISBURSEMENTS:-</b>				
Current:-				
General government	34,872	20,392	0	55,264
Public safety	0	705	0	705
Public works	7,901	127,922	0	135,823
Health	13,908	0	0	13,908
Capital outlay	3,428	0	0	3,428
Debt Service:				
Principal retirement	64,258	0	0	64,258
Interest and other fiscal charges	<u>2,334</u>	<u>0</u>	<u>0</u>	<u>2,334</u>
<b>Total cash disbursements</b>	<b><u>126,701</u></b>	<b><u>149,019</u></b>	<b><u>0</u></b>	<b><u>275,720</u></b>
<b>Total receipts over (under) cash disbursements</b>	<b>39,906</b>	<b>20,922</b>	<b>0</b>	<b>60,828</b>
Fund cash balances, January 1, 2010	<u>100,110</u>	<u>84,615</u>	<u>966</u>	<u>185,691</u>
<b>Fund cash balances, December 31, 2010</b>	<b>\$ <u>140,016</u></b>	<b>\$ <u>105,537</u></b>	<b>\$ <u>966</u></b>	<b>\$ <u>246,519</u></b>
<b>Reserve for encumbrances, December 31, 2010</b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>

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

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

**Description of the Entity** - Holmes Township, Crawford County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by three publicly - elected Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with Life Star to provide emergency medical services.

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

**Basis of Accounting** - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State of Ohio.

**Cash and Investments** - The Township maintains interest bearing checking and savings accounts.

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

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**Special Revenue Funds**

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

*Road and Bridge Fund*

This fund receives property tax money to pay for, construct, maintain and repair Township roads.

*Gasoline Tax Fund*

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

*Special Levy (Fire Protection) Fund*

This fund receives tax levy money to pay for fire protection services

**Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

**HOLMES TOWNSHIP**  
**CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

**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 Crawford 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 Crawford County Budget Commission must also approve estimated resources.

**Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2011 & 2010 budgetary activity appears in Note 4.

**Fund Balance** - Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as 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 committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not 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 contained 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.

**HOLMES TOWNSHIP**  
**CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

**Property, Plant and Equipment** - Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE:-**

For 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a governmental is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balance of the Township's funds.

**NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS:-**

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

	<b>2011</b>	<b>2010</b>
Interest Checking	\$ 243,030	\$ 246,519

**Deposits** - The Township's deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 4 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2011 was as follows:

**2011 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 49,328	\$ 54,545	\$ 5,217
Special revenue	166,540	218,265	51,725
Capital project	0	0	0
<b>Total</b>	<b>\$ 215,868</b>	<b>\$ 272,810</b>	<b>\$ 56,942</b>

**2011 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 174,081	\$ 105,149	\$ 68,932
Special revenue	260,281	171,150	89,131
Capital project	0	0	0
<b>Total</b>	<b>\$ 434,362</b>	<b>\$ 276,299</b>	<b>\$ 158,063</b>

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 4 - BUDGETARY ACTIVITY:-** (continued)

Budgetary activity for the year ending December 31, 2010 was as follows:

**2010 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 154,782	\$ 166,607	\$ 11,825
Special revenue	159,399	169,941	10,542
Capital project	0	0	0
<b>Total</b>	<b>\$ 314,181</b>	<b>\$ 336,548</b>	<b>\$ 22,367</b>

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 143,477	\$ 126,701	\$ 16,776
Special revenue	245,427	149,019	96,408
Capital project	0	0	0
<b>Total</b>	<b>\$ 388,904</b>	<b>\$ 275,720</b>	<b>\$ 113,184</b>

Contrary to Ohio law appropriations exceeded estimated resources during 2010 in the special revenue funds by \$1,413.

**HOLMES TOWNSHIP**  
**CRAWFORD COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 5 - PROPERTY TAX:-**

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

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

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

**NOTE 6 - DEBT:-**

Debt outstanding at December 31, 2011, was as follows:

<b><u>Debt Issued</u></b>	<b>Interest</b>	<b>Original</b>	<b>Date of</b>
	<b>Rate</b>	<b>Issue Amount</b>	<b>Maturity</b>
Tractor Loan	4.25%	\$35,750	May 1, 2015
	<b>Balance</b>	<b>Balance</b>	<b>Due Within</b>
	<b>12/31/2009</b>	<b>12/31/2010</b>	<b>One Year</b>
Equipment Bonds	\$ <u>64,258</u>	\$ <u>0</u> \$ ( <u>64,258</u> ) \$ <u>-</u> \$ <u>-</u>	
	<b>Balance</b>	<b>Balance</b>	<b>Due Within</b>
	<b>12/31/2010</b>	<b>12/31/2011</b>	<b>One Year</b>
Mower Acquisition Bonds	\$ <u>0</u>	\$ <u>35,750</u> \$ <u>0</u> \$ <u>35,750</u> \$ <u>8,455</u>	

In 2011, the Township obtained Mower Acquisition Bonds to purchase a new tractor and mower for \$35,750. The bonds are to be paid back over a 4 year period and have an interest rate of 4.25%. The annual payments are \$9,883, including principal and interest, and are due May 1st of each year beginning in 2012. As of December 31, 2011, the Township owes \$35,750 of principal on the bond.

In 2009, the Township obtained an equipment acquisition bond to purchase a truck for \$64,258. The bond is to be paid back over a 3 year period and has an interest rate of 3.55%. The annual payments are \$22,958, including principal and interest, and are due April 27th of each year beginning in 2010. During 2010, the Township paid the bond in full with estate tax money received in the General Fund.

**CRAWFORD COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 6 - DEBT:-** (continued)

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

Future minimum payments:	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 8,455	\$ 1,428	\$ 9,883
2013	8,722	1,160	9,882
2014	9,093	789	9,882
2015	9,480	403	9,883
<b>Total</b>	<b>\$ 35,750</b>	<b>\$ 3,780</b>	<b>\$ 39,530</b>

**NOTE 7 - RETIREMENT SYSTEMS:-**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants, as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2011 and 2010, PERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2011 and 2010. The Township has paid all contributions required through December 31, 2011.

**NOTE 8 - RISK MANAGEMENT:-**

**Commercial Insurance**

**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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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.

**CRAWFORD COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 8 - RISK MANAGEMENT:-** (continued)

**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, 2010 and 2009 (the latest information available):

	<b>2010</b>	<b>2009</b>
Assets	\$ 35,855,252	\$ 38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u><u>\$ 25,190,528</u></u>	<u><u>\$ 26,101,322</u></u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$5,050.

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**

	<u><u>2011</u></u>	<u><u>2010</u></u>
	\$ 6,824	\$ 5,109

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 9 - SUBSEQUENT EVENT:-**

The Township evaluated subsequent events through December 12, 2012, the date which the financial statements were available to be issued.



**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by *Government Auditing Standards***

Board of Trustees  
Holmes Township  
Crawford County

We have audited the financial statements of Holmes Township, Crawford County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated December 12, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and for December 31, 2011, we also noted the Township has adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Holmes Township's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Holmes Township's internal control over financial reporting.

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 a combination of deficiencies in internal control such that there is a reasonable possibility that a material financial statement misstatement will not be prevented, or detected and timely corrected.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We identified a deficiency in internal control over financial reporting that we consider to be a material weakness as defined above, as item 2011-005. We also identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control as items 2011-001 and 2011-002. A *significant 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.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated December 12, 2012.

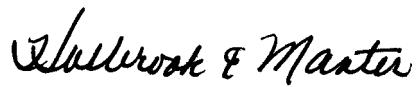
**Compliance and Other Matters**

As part of reasonably assuring whether Holmes 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 have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-003, 2011-004, and 2011-005.

We also noted certain matters not requiring inclusion in this report that we reported to management of the Township, in a separate letter dated December 12, 2012.

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

We intend this report solely for the information and use of management, Board of Trustees, the Auditor of State of Ohio, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

December 12, 2012

**HOLMES TOWNSHIP  
CRAWFORD COUNTY  
SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

<b>Finding Number</b>	<b>2011-001</b>
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**Significant Deficiency – Management Override of Controls**

During our check testing in 2010, we noted a check that was modified after it was printed from the UAN computer system. Once the check was printed, the name was crossed out and a new vendor name was hand written above. The vendor name appears to be an appropriate vendor and the Township had the invoice to support the modified check.

We feel that this is an override of the controls that the UAN computer system offers and recommend that checks not be modified after they are printed. If a check needs to be corrected, we recommend voiding the incorrect check and printing a new corrected check out of the computer system. This should ensure that all financial reports agree to the canceled checks that actually clear the financial institution.

**Officials’ Response**

The Township will work on improving internal controls and review procedures to ensure a similar instance does not occur in the future.

<b>Finding Number</b>	<b>2011-002</b>
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**Significant Deficiency – Record Retention**

During our examination and testing of payroll and expenditures, we noted that the Township could not locate a large portion of their signed purchase orders for 2011, federal quarterly 941 payroll tax reports for 2010 or 2011, or a W-3 summary for 2010. Adequate documentation is a key element of an internal control system; this condition limits the control and accountability over the Township’s payroll reporting and compliance over expenditures and allows for the possibility of an improper payment to occur. However, during our audit, we were able to perform alternative procedures for payroll tax expenditures. We advise that payroll reports and purchase orders for all expenditures be retained to support the proper public purpose and compliance of any payment.

**Officials’ Response**

The Township will work on improving internal controls and review procedures to ensure a similar instance does not occur in the future.

**HOLMES TOWNSHIP  
CRAWFORD COUNTY  
SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

<b>Finding Number</b>	<b>2011-003</b>
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**Noncompliance Citation – Public Records Policy**

Every public office must have a policy in place-for compliance with Public Records Laws. There are three specific items that public offices cannot have in their public records policies. They policy cannot: (1) limit the number of public records it will make available to a single person; (2) limit the number of public records it will make available during a fixed period of time; or (3) establish a fixed period of time before it will respond to a request for inspection/copying of public records unless that period is less than eight hours.

By September 29, 2007, all public offices were required to create a poster describing its public records policy. In addition, the public office is required to post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. Finally, if the public office has an employee policies and procedures manual or handbook, it is required that the public records policy be included in such manual or handbook.

Pursuant to Ohio Rev. Code 149.43(B)(2), the entity shall have available a copy of its current records retention schedule at a location readily available to the public. Any application or schedule for the destruction of records must be sent to the Ohio Historical Society for review to determine whether any of the records are of historical value [Ohio Rev. Code §149.39] Once reviewed by the Ohio Historical Society, the applications are then forwarded to the Ohio Auditor of State's Office for final approval. A model policy is available at [www.ohioattorneygeneral.gov/files/Forms/Forms-for-Government](http://www.ohioattorneygeneral.gov/files/Forms/Forms-for-Government).

During our compliance testing, it was noted that the Township had not implemented a public records policy or a records retention policy. We recommend that the above steps be taken to adopt the necessary formal policies and that they be posted where the public can see them.

**Officials' Response**

The Township will continue to work on a public records policy and records retention schedule.

**HOLMES TOWNSHIP  
CRAWFORD COUNTY  
SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

<b>Finding Number</b>	<b>2011-004</b>
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**Non Compliance Citation – Prior Certification of Funds**

Section 5705.41 (D), Ohio Revised Code, states that no subdivision shall make any contract or order any expenditure of money, unless a certificate of the Clerk is attached. The Clerk must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance. Furthermore, contracts and orders for expenditures lacking prior certification should be null and void, unless the Board obtains from the Clerk a certificate stating that there was at the time of the making of the contracts or orders a sufficient sum appropriated and free from previous encumbrance. The Board may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than \$3,000, the Clerk may authorize it to be paid without the affirmation of the Board upon completion of a then and now certificate, if such expenditure is otherwise valid.

During our testing of expenditures, we noted instances of funds obligated without prior certification. A purchase order is required prior to the obligation date, which precedes the invoice date in many instances. Expenditures without prior certification could result in expenditures exceeding appropriations. We recommend that a purchase order be completed before Township funds are obligated. These compliance requirements are important control tools that the Township can use to keep track of budgeted and actual expenditures.

**Officials' Response**

The Township will work on correcting the finding and improve internal and compliance controls to address the issue.

**HOLMES TOWNSHIP  
CRAWFORD COUNTY  
SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

<b>Finding Number</b>	<b>2011-005</b>
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**Material Weakness/Material Non Compliance Citation – Trustees Compensation**

When a trustee chooses to be paid using the salary method, no documentation process need be established as long as the salaried trustee is being paid solely from the general fund. Ohio Rev. Code §505.24(C) does not prescribe a “documentation of time spent” requirement. However, for salaries **not** paid from the general fund, 2004 OAG Opinion 2004-036 established the following documentation requirements:

OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to restricted township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from the restricted funds.

During our audit, we noted that Trustees are keeping time sheets; however, during 2011, Trustee’s salaries were paid out of special revenue funds even though the trustee’s time sheets reflected the monthly board meetings which should be paid out of the general fund for administrative work performed. These amounts were adjusted within the financial statements and within the client records at year end since they were deemed material to the overall financial statements. We recommend that the fiscal officer, on a monthly basis, properly verify the allocation being paid out of any fund other than the general fund and apply it accordingly to the proper funds.

An adjustment was made to correct the financial statements during 2011 for the portion of the salaries allocated improperly to the special revenue funds and the affect on the financial statements were as follows:

Fund:	<b>2011</b>		<b>2011</b>	
	<b>Unadjusted Cash Balance</b>	<b>Net Effect of Adjustment</b>	<b>Adjusted Cash Balance</b>	
General Fund	\$ 96,057	\$ ( 6,645 )	\$ 89,412	
Special Revenue Funds:				
Motor Vehicle License Tax Fund	6,623	3,037	9,660	
Gas Tax Fund	68,330	3,608	71,938	
Road and Bridge Fund	10,034	-	10,034	
Special Fire Levy Fund	61,020	-	61,020	
Capital Projects Funds:				
Miscellaneous Capital Projects Fund	966	-	966	
<b>Total</b>	<b>\$ 243,030</b>	<b>\$ -</b>	<b>\$ 243,030</b>	

**HOLMES TOWNSHIP**  
**CRAWFORD COUNTY**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2009-001	Significant Deficiency - Internal Control and Review Procedures	Yes	Finding No Longer Valid.
2009-002	ORC 5705.41 (D) - Prior Certification of Funds	No	Not Corrected. Reported as finding 2011-004.



# Dave Yost • Auditor of State

HOLMES TOWNSHIP

CRAWFORD 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 12, 2013