

BUFFALO TOWNSHIP

NOBLE COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017



OHIO AUDITOR OF STATE
KEITH FABER



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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, 2017 through December 31, 2018. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 19, 2019

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

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. 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 these adjustments.

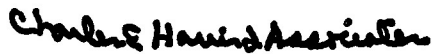
During a prior audit for the period from January 1, 2011 to December 31, 2012, the Township paid for mowing of cemeteries from Gasoline Tax and Motor Vehicle License Tax Fund in the amounts of \$3,282 and \$3,789, respectively, improperly allocated Fiscal Officer and Trustee salaries to the Gasoline 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 County, as of December 31, 2018 and 2017, 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 July 29, 2019, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
July 29, 2019

**BUFFALO TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 26,699	\$ 11,402	\$ 38,101
Intergovernmental	12,347	100,889	113,236
Earnings on Investments	40	17	57
Miscellaneous	961	1,046	2,007
	40,047	113,354	153,401
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
General Government	25,275	-	25,275
Public Safety	-	2,214	2,214
Public Works	-	101,625	101,625
Debt Service:			
Principal Retirement	-	6,391	6,391
Interest and Fiscal Charges	-	1,503	1,503
	25,275	111,733	137,008
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over (Under) Disbursements</i>	14,772	1,621	16,393
<i>Fund Cash Balances, January 1</i>	76,972	48,692	125,664
Fund Cash Balances, December 31			
Restricted	-	37,504	37,504
Committed	-	12,809	12,809
Assigned	79,911	-	79,911
Unassigned	11,833	-	11,833
	91,744	50,313	142,057
<i>Fund Cash Balances, December 31</i>	\$ 91,744	\$ 50,313	\$ 142,057

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

BUFFALO TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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 Volunteer fire department to provide fire services.

Public Entity Risk Pools

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a 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, which are organized on a fund type basis.

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:

Gas Tax Fund The gas 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
For the Year Ended December 31, 2018

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

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

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

BUFFALO TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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 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.

BUFFALO TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,700	\$ 40,047	\$ 4,347
Special Revenue	109,450	113,354	3,904

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 107,520	\$ 25,275	\$ 82,245
Special Revenue	164,335	111,733	52,602

Contrary to Ohio Revised Code Section 5705.39, appropriations for various special revenue funds exceeded estimated resources. Also, contrary to Ohio Revised Code Section 5705.41(D), the Township did not encumber funds prior to purchase.

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:

		<u>2018</u>	
Demand deposits	\$	106,495	
Certificates of deposit		35,562	
Total deposits		<u>\$ 142,057</u>	

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Property Taxes

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

Public utilities are also 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.

BUFFALO TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

Note 6 – Risk Management

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

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

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

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

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

Note 7 – Defined Benefit Pension Plan

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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers a 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

BUFFALO TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

Dump Truck Note	\$ 28,165	4.75%
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The Township borrowed \$35,075 from the Farmers and Merchants Bank for a Dump Truck. The Township will make 59 payments of \$657.90 starting December 2017.

Amortization

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

	<u>Dump Truck Note</u>
2019	\$ 7,895
2020	7,895
2021	7,895
2022	7,237
Total	<u>\$ 30,921</u>

Note 11 – 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 \$2,015 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.

**BUFFALO TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 25,565	\$ 10,964	\$ 36,529
Intergovernmental	12,306	104,730	117,036
Earnings on Investments	101	76	177
Miscellaneous	1,369	746	2,115
<i>Total Cash Receipts</i>	<u>39,341</u>	<u>116,516</u>	<u>155,857</u>
Cash Disbursements			
Current:			
General Government	35,728	-	35,728
Public Safety	-	2,068	2,068
Public Works	-	123,048	123,048
Capital Outlay	-	35,075	35,075
Debt Service:			
Principal Retirement	-	519	519
Interest and Fiscal Charges	-	139	139
<i>Total Cash Disbursements</i>	<u>35,728</u>	<u>160,849</u>	<u>196,577</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	3,613	(44,333)	(40,720)
Other Financing Receipts & Disbursements			
Sale of Notes	-	35,075	35,075
Other Financing Sources	-	107	107
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>35,182</u>	<u>35,182</u>
<i>Net Change in Fund Cash Balances</i>	3,613	(9,151)	(5,538)
<i>Fund Cash Balances, January 1</i>	<u>73,359</u>	<u>57,843</u>	<u>131,202</u>
Fund Cash Balances, December 31			
Restricted	-	39,661	39,661
Committed	-	9,031	9,031
Assigned	71,820	-	71,820
Unassigned	5,152	-	5,152
<i>Fund Cash Balances, December 31</i>	<u>\$ 76,972</u>	<u>\$ 48,692</u>	<u>\$ 125,664</u>

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

BUFFALO TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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 Volunteer fire department to provide fire services.

Public Entity Risk Pools

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a 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, which are organized on a fund type basis.

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:

Gas Tax Fund The gas 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
For the Year Ended December 31, 2017

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

BUFFALO TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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 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.

BUFFALO TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 33,600	\$ 39,341	\$ 5,741
Special Revenue	108,610	151,698	43,088

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 91,339	\$ 35,728	\$ 55,611
Special Revenue	219,224	160,849	58,375

Contrary to Ohio Revised Code Section 5705.39, appropriations for various special revenue funds exceeded estimated resources. Also, contrary to Ohio Revised Code Section 5705.41(D), the Township did not encumber funds prior to purchase.

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:

	2017
Demand deposits	\$ 90,102
Certificates of deposit	35,562
Total deposits	\$ 125,664

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Property Taxes

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

Public utilities are also 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.

BUFFALO TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

Note 6 – Risk Management

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, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$1,000.

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

<u>2017 Contributions to OTARMA</u>
\$2,910

BUFFALO TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

Note 6 – Risk Management (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.

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

Note 7 – Defined Benefit Pension Plan

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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

BUFFALO TOWNSHIP
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

Dump Truck Note	\$	34,556	4.75%
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The Township borrowed \$35,075 from the Farmers and Merchants Bank for a Dump Truck. The Township will make 59 payments of \$657.90 starting December 2017.

Amortization

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

	Dump Truck Note	
2018	\$	7,895
2019		7,895
2020		7,895
2021		7,895
2022		7,237
Total	\$	38,816

Note 11 – 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 \$2,116 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.

**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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated July 29, 2019, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We issued an adverse opinion on the 2018 and 2017 financial statements due to the Township declining to make adjustments for mispostings from a prior year.

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 2018-001 and 2018-002 to be material weaknesses.

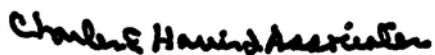
Compliance and Other Matters

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 several instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2018-003 and 2018-004.

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 July 29, 2019.

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.
July 29, 2019

**BUFFALO TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

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 (GASB) Statement No. 54.

During 2018 and 2017, receipts, disbursements and fund balances were not always posted correctly. The following posting errors were noted:

- Rollback receipts received from the State were not properly allocated according to the Apportionment sheet in 2017;
- Local Government Distribution received from the County was recorded as Gasoline Excise Tax in the Gasoline Tax Fund instead of Intergovernmental in the General Fund in 2018 and 2017;
- Gasoline Excise Tax in the Gasoline fund was recorded as Miscellaneous instead of Gasoline Excise Tax in 2017;
- Permissive Motor Vehicle License Tax receipts received from the County were recorded as Property Taxes instead of Intergovernmental in 2018 and 2017;
- Permissive Motor Vehicle License Tax receipts received from the County was recorded as Property Taxes instead of Intergovernmental in the Permissive Motor Vehicle License Tax Fund;
- Sale of notes were recorded as Other Financing Sources in 2017;
- Principal and interest payments on the Township's debt was recorded as Public works instead of allocated between Principal and Interest in 2018 and 2017;
- Capital Outlay expenditures were reported as Public Works expenditures in 2017;
- Fund balance in the Road and Bridge Fund was recoded as restricted fund balance and it should have been committed fund balance in 2018 and 2017;
- Various notes to the financial statements needed updating/correcting, including budgetary tables, deposit disclosure, debt disclosure and related party disclosure.

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 and notes. Such review should include procedures to ensure that all receipts, disbursements and fund balances are properly identified and classified on the financial statements. In addition, the review should ensure all required note disclosures are included in the notes to the financial statements.

**BUFFALO TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-001 (Continued)

Material Weakness (Continued)

Posting Receipts, Disbursements and Fund Balances (Continued)

We also recommend the Fiscal Officer refer to Ohio Administrative Code, the UAN manual, the Ohio Township Handbook and other Auditor of State guidance to determine the proper establishment of receipt and disbursement accounts and posting receipts and disbursements. The Fiscal Officer should refer to GASB Statement 54 and Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances. We recommend the Township use the most current available templates for financial statements and notes to the financial statements on the Auditor of State's website to prepare an accurate annual financial report.

Managements' Response – See Corrective Action Plan.

FINDING NUMBER 2018-002

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 2018-001.

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 2018-003

Ohio Revised Code 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.

**BUFFALO TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-003 (Continued)

Ohio Revised Code Noncompliance (Continued)

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.

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 Township 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 2018 and 2017.

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 AUDIT FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-004

Ohio Revised Code Noncompliance

Ohio Rev. Code § 5705.39 states, in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission.

During 2018 and 2017, the Township's appropriations exceeded the estimated resources in the following funds.

2017:

Special Revenue – Motor Vehicle License Fund - \$6,400
Special Revenue – Gas Tax Fund - \$13,092
Special Revenue – Fire Fund - \$384

2018:

Special Revenue – Motor Vehicle License Fund - \$94
Special Revenue – Gas Tax Fund - \$5,952
Special Revenue – Fire Fund - \$177

Total appropriations exceeding estimated resources could result in negative cash fund balances and overspending of Township resources. The Board should regularly review and amend their appropriations based on updates to their estimated resources. The Board should request an Amended Certificate if their amount of estimated receipts changes. Also, the Board should periodically compare their estimated resources to appropriations to ensure that their total appropriations do not exceed estimated resources.

Managements' Response – See Corrective Action Plan.

**BUFFALO TOWNSHIP
NOBLE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
PREPARED BY MANGEMENT
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Posting of Receipts and Fund Balances	Not Corrected	See Corrective Action Plan
2016-002	Bank to Book Reconciliations was not completed accurately.	Not Corrected	See Corrective Action Plan
2016-003	Expenditures not being properly encumbered in violation of Ohio Revised Code 5705.41(D)	Not Corrected	See Corrective Action Plan

**BUFFALO TOWNSHIP
NOBLE COUNTY**

**CORRECTIVE ACTION PLAN - PREPARED BY MANAGEMENT
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2018-001	Fiscal Officer will refer to the Township handbook and UAN manual to properly classify transactions	Immediately	Valerie Dimmerling, Fiscal Officer
2018-002	Fiscal Officer will complete the bank to book reconciliations timely and will investigate and resolve any irregularities	Immediately	Valerie Dimmerling, Fiscal Officer
2018-003	The Fiscal Officer will follow the Ohio Revised Code concerning the issuing of Purchase orders.	Immediately	Valerie Dimmerling, Fiscal Officer
2018-004	The Fiscal Officer will follow the Ohio Revised Code to ensure appropriations do not exceed estimated resources.	Immediately	Valerie Dimmerling, Fiscal Officer

OHIO AUDITOR OF STATE
KEITH FABER



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
OCTOBER 1, 2019**