



Dave Yost • Auditor of State



**BUFFALO TOWNSHIP  
NOBLE COUNTY**

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# Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

December 13, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Buffalo Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. 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 audit.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State 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, GAAP require 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 permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the seventh 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

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

During 2009, the Township paid employees \$1,065 from the Motor Vehicle License Tax Fund and \$150 from the Permissive License Tax Fund, Special Revenue Fund types, instead of the General Fund, in the amount of \$1,215 for mowing of cemeteries in Buffalo Township. Also, the Township failed to record a check in the amount of \$655 to the Gasoline Tax Fund, Special Revenue Fund type.

In addition, during 2009 the Trustees' timesheets reflected board meetings attended during the year as a part of their administrative duties, but the amount of administrative charges posted to the General Fund by the Fiscal Officer did not agree to the allocation posted to the timesheets. The additional amount that should have been paid out of the General Fund for these administrative duties was \$1,166. Also, during 2009, the amount of fringes paid out of the General Fund did not agree with portion of salary paid from the General Fund, in the amount of \$2,979. These additional amounts were paid from the Gasoline Tax Fund instead of the General Fund, in the amount of \$4,145. Had the aforementioned prior year adjustment, the 2009 adjustment in the previous paragraph and this 2009 adjustment been properly posted to the financial statements and the Township's accounting system, the General Fund's December 31, 2009 cash fund balance would have been decreased by a cumulative \$13,136, its 2009 disbursements would have been increased by \$5,360. Also, the Special Revenue Fund's December 31, 2009 cash fund balance would have been increased by a cumulative \$12,481 and its 2009 disbursements would have been decreased by \$4,705. Due to the impact these adjustments would have on the December 31, 2009 General Fund cash fund balance, the Township has declined to make these adjustments.

During 2010, the Township paid employees \$2,130 from the Motor Vehicle License Tax Fund and \$300 from the Gasoline Tax Fund, Special Revenue Fund types, instead of the General Fund, in the amount of \$2,430 for mowing of cemeteries in Buffalo Township. Also, the Township failed to record a bank debit memo in the amount of \$510 and under posted a bank deposit by \$20 to the General Fund and under posted a bank deposit by \$20 in the Gasoline Tax Fund, Special Revenue Fund type.

During 2010, the Trustees' timesheets reflected board meetings attended during the year as a part of their administrative duties, but the amount of administrative charges posted to the General Fund by the Fiscal Officer did not agree to the allocation posted to the timesheets. The additional amount that should have been paid out of the General Fund for these administrative duties was \$865. Also, during 2010, the amount of fringes paid out of the General Fund did not agree with portion of salary paid from the General Fund. The additional amount that should have been paid from the General Fund for these fringe benefits was \$2,441. These additional amounts were paid from the Gasoline Tax Fund, instead of the General Fund, in the amount of \$3,306. Had the aforementioned prior year adjustment, the 2009 and 2010 adjustments in the preceding three paragraphs and this 2010 adjustment been properly posted to the financial statements and the Township's accounting system, the General Fund's December 31, 2010 cash fund balance would have been decreased by a cumulative \$19,362, its 2010 receipts would have been increased by \$20 and the 2010 disbursements would have been increased by \$6,246. Also, the Special Revenue Fund's December 31, 2010 cash fund balance would have been increased by a cumulative \$18,237 and its 2010 receipts would have been increased by \$20 and the 2010 disbursements would have been decreased by \$5,736. Due to the impact these adjustments would have



on the December 31, 2010 General Fund cash fund balance, the Township has declined to make these adjustments. See Note 8, Notes to the Financial Statements for further information.

Also, in our opinion, because of the effects of the matter discussed in the preceding five paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of Buffalo Township, Noble County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 8, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 8 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011, 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.



**Dave Yost**  
Auditor of State

December 13, 2011

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**BUFFALO TOWNSHIP  
NOBLE COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$16,955	\$7,707	\$24,662
Intergovernmental	8,763	100,144	108,907
Earnings on Investments	36	119	155
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	25,754	107,970	133,724
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	19,692		19,692
Public Safety		3,143	3,143
Public Works		103,543	103,543
Capital Outlay		48,806	48,806
Debt Service:			
Redemption of Principal		4,342	4,332
Interest and Other Fiscal Charges		1,155	1,155
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	19,692	160,989	180,671
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	6,062	(53,019)	(46,957)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Notes		48,806	48,806
Other Sources	42		42
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	42	48,806	48,848
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,104	(4,213)	1,891
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	6,492	124,285	130,777
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$12,596</u></b>	<b><u>\$120,072</u></b>	<b><u>\$132,668</u></b>

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

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$16,665	\$7,575	\$24,240
Intergovernmental	8,573	97,889	106,462
Earnings on Investments	28	115	143
Miscellaneous		650	650
		<hr/>	<hr/>
Total Cash Receipts	<u>25,266</u>	<u>106,229</u>	<u>131,495</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	18,731		18,731
Public Safety		2,180	2,180
Public Works		107,427	107,427
Debt Service:			
Redemption of Principal		7,510	7,510
Interest and Other Fiscal Charges		178	178
		<hr/>	<hr/>
Total Cash Disbursements	<u>18,731</u>	<u>117,295</u>	<u>136,026</u>
Total Cash Receipts Over/(Under) Cash Disbursements	6,535	(11,066)	(4,531)
Fund Cash Balances, January 1	<u>(43)</u>	<u>135,351</u>	<u>135,308</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$6,492</u></b>	<b><u>\$124,285</u></b>	<b><u>\$130,777</u></b>

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

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of 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 and fire protection and emergency medical services. The Township contracts with the villages of Belle Valley, Caldwell, and Senecaville to provide fire and ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage. Note 7 to the financial statements provide additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

**C. Deposits**

The Township values certificates of deposit at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

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

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**2. Equity in Pooled 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 s follows:

	2010	2009
Demand deposits	\$100,768	\$98,877
Certificates of deposit	31,900	31,900
Total deposits	\$132,668	\$130,777

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,440	\$25,796	\$1,356
Special Revenue	104,225	156,776	52,551
Total	\$128,665	\$182,572	\$53,907

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$30,932	\$19,692	\$11,240
Special Revenue	228,510	160,989	67,521
Total	\$259,442	\$180,681	\$78,761

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,450	\$25,266	\$2,816
Special Revenue	103,345	106,229	2,884
Total	\$125,795	\$131,495	\$5,700

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$28,756	\$18,731	\$10,025
Special Revenue	231,915	7,295	224,620
Total	\$260,671	\$26,026	\$234,645

Contrary to Ohio law, the Township failed to consistently obtain the fiscal officer's prior certification before incurring an obligation in 2010 and 2009.

**4. Property Tax**

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

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

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

**5. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$44,475	4.75

The Township issued a general obligation note to finance the purchase of a tractor to be used for Township maintenance.

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



**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. Debt (Continued)**

Year ending December 31:	General Obligation Notes
2011	\$10,078
2012	10,994
2013	10,994
2014	10,994
2015	6,413
Total	<u>\$49,473</u>

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**7. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of 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.

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Management (Continued)**

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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</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 \$2,000.

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

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$2,725	\$1,888

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.

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. Financial Difficulties**

At December 31, 2009, the following funds had adjustments which the Township declined to make in the following amounts:

<u>Fund</u>	<u>December 31, 2009 Balance</u>	<u>Adjustments Not Made</u>	<u>Effect on December 31, 2009 Balance</u>
General	\$ 6,492	\$ (13,136)	\$ (6,644)
Special Revenue	124,285	12,481	136,766

At December 31, 2010, the following funds had adjustments which the Township declined to make in the following amounts:

<u>Fund</u>	<u>December 31, 2010 Balance</u>	<u>Adjustments Not Made</u>	<u>Effect on December 31, 2010 Balance</u>
General	\$ 12,596	\$ (19,362)	\$ (6,766)
Special Revenue	120,072	18,237	138,309

The Township's cash fund balance in the General Fund at the beginning of January 1, 2009 dropped to a deficit \$43. The Township's General Fund property taxes increased in 2009 and 2010 due to new tax revenues from the Rocky Express gas pipeline. The Township continues to monitor all expenditures of the General Fund.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 the financial statements of Buffalo Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated December 13, 2011 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. We issued an adverse opinion on the 2010 and 2009 regulatory financial statements due to Township declining to make adjustments for mispostings. We also noted the Township is experiencing financial difficulties and processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of 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 have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

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 misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 through 2010-003 and 2010-005 described in the accompanying Schedule of Findings to be material weaknesses.

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. We consider finding 2010-004 described in the accompanying Schedule of Findings to be a significant deficiency.

### **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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2010-001 through 2010-004 and 2010-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 13, 2011.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

December 13, 2011

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001**

**Finding for Adjustment/Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the 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(s) 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 these other funds.

During 2010 and 2009, the Trustees maintained daily timesheets to document work performed on Township services and administrative purposes. During 2010 and 2009, the Trustees timesheets documented time spent on Township service which was posted to the Gasoline Tax Fund. The allocation, however, did not agree to the percentage of time documented for on the Trustees' timesheets. For 2010 and 2009, \$865 and \$1,166, respectively, should have been paid out of the General Fund instead of the Gasoline Tax Fund according to the Trustees' documentation presented for audit.

A finding for adjustment is hereby issued against the Buffalo Township General Fund, in the amount of \$2,031, and in favor of the Buffalo Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$2,301.

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

**FINDING NUMBER 2010-002**

**Finding for Adjustment/Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 5735.27 (A)(5)(c) requires the funds received from the gasoline excise tax shall be expended by each township to plan, construct, maintain, widen, and reconstruct the public roads and highways within such township.

In addition, Ohio Constitution Article XII, Section 5a, states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refund and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on public highways.

Ohio Rev. Code Section 5705.10(H) provides that money paid into a fund shall be used only for the purposes for which said fund has been established.

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2010-002 (Continued)**

**Finding for Adjustment/Noncompliance Citation/Material Weakness (Continued)**

During 2010, the Township paid employees \$2,130 from the Motor Vehicle License Tax Fund and \$300 from the Gasoline Tax Fund, Special Revenue Fund types, instead of the General Fund, in the amount of \$2,430 for mowing of cemeteries in Buffalo Township. In 2009, the Township paid employees \$1,065 from the Motor Vehicle License Tax Fund and \$150 from the Permissive License Tax Fund, Special Revenue Fund types, instead of the General Fund, in the amount of \$1,215 for mowing of cemeteries in Buffalo Township.

A finding for adjustment is hereby issued against the Buffalo Township General Fund, in the amount of \$3,645, and in favor of the Buffalo Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$3,645.

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

**FINDING NUMBER 2010-003**

**Finding for Adjustment/Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 5735.27 (A)(5)(d) requires the funds received from the gasoline excise tax shall be expended by each township to plan, construct, maintain, widen, and reconstruct the public roads and highways within such township.

In addition, Ohio Constitution Article XII, Section 5a, states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refund and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on public highways.

Ohio Rev. Code Section 507.09 sets forth a township fiscal officer's compensation.

Ohio Rev. Code Section 5705.10(H) provides that money paid into a fund shall be used only for the purposes for which said fund has been established.

As the Fiscal Officer's duties and the Trustees' attendance at board meetings are administrative in nature, and the Gasoline Tax Fund may not be used to pay for general administrative services, the Fiscal Officer's salary and benefits and the Trustees' salary associated with attendance at board meetings should therefore be paid from the Township's General Fund.



**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-003 (Continued)**

**Finding for Adjustment/Noncompliance Citation/Material Weakness (Continued)**

The Fiscal Officer paid the following unallowable expenditures from the Gasoline Tax Fund in 2010:

<u>Unallowable expenditure</u>	<u>Amount</u>
Fiscal Officer's OPERS	\$432
Trustees' Federal withholding and Medicaid	205
Trustees' OPERS	1,804
	<u>\$2,441</u>

The Fiscal Officer paid the following unallowable expenditures from the Gasoline Tax Fund in 2009:

<u>Unallowable expenditure</u>	<u>Amount</u>
Fiscal Officer's Federal withholding and Medicaid	\$ 92
Fiscal Officer's OPERS	2,271
Trustees' Federal withholding and Medicaid	198
Trustees' OPERS	418
	<u>\$ 2,979</u>

A finding for adjustment is hereby issued against the Buffalo Township General Fund, in the amount of \$5,420, and in favor of the Buffalo Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$5,420.

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

**FINDING NUMBER 2010-004**

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer 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 encumbrances. Further, contracts and orders for expenditures lacking prior certification should be null and void.

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

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-004 (Continued)**

**Noncompliance Citation and Significant Deficiency**

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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Township.

2. **Blanket Certificate** - Fiscal officers may prepare “blanket” certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate 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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 87 percent (87%) of the expenditures tested in 2010 and 100 percent (100%) in 2009, and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 expenditures exceeding budgetary spending limitations, we recommend that the Township 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.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Township Fiscal Officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2010-005**

**Finding for Adjustment and Material Weakness**

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. Monthly bank reconciliations contained adjusting factors throughout the entire audit period which were carried forward instead of being investigated and corrected. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. The extensive problems with these reconciliations resulted in the need for the Township to contract with the Auditor of State to perform a proof-of-cash analysis each month of the audit period. The Township incurred additional fees for this service which could have been avoided had timely reconciliations been performed by the Fiscal Officer.

During the proof-of-cash analysis, we were able to identify posting errors in 2010 and 2009. During 2010, the Fiscal Officer failed to record a check, in the amount of \$655 to the Gasoline Tax Fund, Special Revenue Fund type. Also, in 2009, the fiscal officer failed to record a bank debit memo in the amount of \$510 and under posted a bank deposit by \$20 to the General Fund and under posted a bank deposit by \$20 in the Gasoline Tax Fund, Special Revenue Fund type.

A finding for adjustment is hereby issued against the Buffalo Township General Fund to decrease cash, in the amount of \$490, and against the Gasoline Tax Fund, Special Revenue Fund to decrease cash, in the amount of \$635.

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Fiscal Officer investigate and correct any adjusting factors and maintain supporting documentation for any corrections. In addition we recommend the Board of Trustees review monthly bank reconciliations of the Township and initial/sign them to indicate their review.

**FINDING NUMBER 2010-006**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Ohio Rev. Code Section 5705.39 states, in part, that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official certificate.

Also, Ohio Rev. Code Section 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2010-006 (Continued)**

**Noncompliance Citation – Ohio Revised Code Section 5705.38(A) (Continued)**

The Board of Trustees adopted the 2009 appropriation resolution on February 29, 2009 and filed with County Auditor on March 3, 2009, but wrote checks in the amount of \$4,371 on January 29, 2009 and \$10,567 on February 26, 2009 without passing a temporary or permanent appropriation measure.

Also, the Board of Trustees adopted the 2010 appropriation resolution on February 25, 2010 and filed with County Auditor on January 31, 2011, but wrote checks in the amount of \$5,243 on January 28, 2010 before Board of Trustees passed a temporary or permanent appropriation measure. The Township proceeded to process expenditures for the rest of 2010 without obtaining a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate from county auditor until January 31, 2011, thereby the Township expended money in all of 2010 without the benefit of being appropriated.

We recommend on or about the first day of each fiscal year, the Village Council adopt a temporary appropriation measure for meeting the ordinary expenses until the permanent measure is adopted.

**Official's response:** The Township officials did not respond to the above findings.

**BUFFALO TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Rev. Code Section 5705.41 (D)	No	Not Corrected, Repeated as Finding 2010-004
2008-002	Ohio Rev. Code Section 5735.27 (A) (5) (c)	No	Not Corrected, Repeated as Finding 2010-003
2008-003	Ohio Rev. Code Section 505.24(C) Finding for Adjustment – Township improperly paid salaries for Trustees from the Gasoline Tax Fund, in the amount of \$7,776 instead of the General Fund.	No	Not Corrected, no payments have been made from General Fund. As a result, we issued an Adverse opinion on the financial statements.
2008-004	Ohio Rev. Code Section 5705.10 (D)	No	Not Corrected, Repeated in Finding 2010-002
2008-005	Monthly Bank Reconciliation	No	Not Corrected, Repeated in Finding 2010-005

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# Dave Yost • Auditor of State

**BUFFALO TOWNSHIP**

**NOBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 3, 2012**