

**HOLMES TOWNSHIP**  
**CRAWFORD COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012





# Dave Yost • Auditor of State

Board of Trustees  
Holmes Township  
3865 Holmes Center Road  
Bucyrus, Oh 44820-8927

We have reviewed the *Independent Auditors' Report* of Holmes Township, Crawford County, prepared by Holbrook & Manter, for the audit period January 1, 2012 through December 31, 2013. 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. Holmes Township is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

September 30, 2014

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## **INDEPENDENT AUDITORS' REPORT**

Holmes Township  
Crawford County  
3865 Holmes Center Road  
Bucyrus, Oh 44820-8927

To the Board of Trustees:

### **Report on the Financial Statements**

We have audited the accompanying financial statements and related notes of Holmes Township, Crawford County, (the Township) as of and for the years ended December 31, 2013 and 2012.

### **Managements Responsibility for the Financial Statements**

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of 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 fair presenting financial statements free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

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

As described in Note 1 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, to satisfy requirements.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (continued)**

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**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, 2013 and 2012, or changes in financial position thereof for the years then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Holmes Township, Crawford County, as of December 31, 2013 and 2012, 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 1.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014, 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.



Certified Public Accountants

Marion, Ohio  
September 10, 2014

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total Memorandum Only</b>
<b>CASH RECEIPTS:-</b>				
Property tax and other local taxes	\$ 26,549	\$ 59,963	\$ 0	\$ 86,512
Intergovernmental receipts	19,839	101,869	0	121,708
Earnings on investments	234	274	0	508
Miscellaneous	3,552	83	0	3,635
<b>Total cash receipts</b>	50,174	162,189	0	212,363
<b>CASH DISBURSEMENTS:-</b>				
Current:-				
General government	46,505	25,487	0	71,992
Public safety	0	21,969	0	21,969
Public works	6,000	107,126	0	113,126
Health	798	0	0	798
Capital outlay	341	350	0	691
Debt Service:				
Principal retirement	0	8,708	0	8,708
Interest and other fiscal charges	0	1,175	0	1,175
<b>Total cash disbursements</b>	53,644	164,815	0	218,459
Net change in fund cash balances	( 3,470)	( 2,626)	0	( 6,096)
Fund cash balances, January 1, 2013	104,424	197,607	966	302,997
<b>Fund cash balances, December 31, 2013</b>				
Restricted	0	194,981	966	195,947
Unassigned	100,954	0	0	100,954
Fund cash balances, December 31, 2013	\$ 100,954	\$ 194,981	\$ 966	\$ 296,901

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

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total Memorandum Only</b>
<b>CASH RECEIPTS:-</b>				
Property tax and other local taxes	\$ 33,715	\$ 61,067	\$ 0	\$ 94,782
Intergovernmental receipts	33,074	103,261	0	136,335
Earnings on investments	524	446	0	970
Miscellaneous	699	0	0	699
<b>Total cash receipts</b>	68,012	164,774	0	232,786
<b>CASH DISBURSEMENTS:-</b>				
Current:-				
General government	49,310	23,946	0	73,256
Public safety	0	8,707	0	8,707
Public works	1,250	72,136	0	73,386
Health	803	0	0	803
Capital outlay	1,637	5,147	0	6,784
Debt Service:				
Principal retirement	0	8,455	0	8,455
Interest and other fiscal charges	0	1,428	0	1,428
<b>Total cash disbursements</b>	53,000	119,819	0	172,819
Net change in fund cash balances	15,012	44,955	0	59,967
<b>Fund cash balances, January 1, 2012</b>	89,412	152,652	966	243,030
<b>Fund cash balances, December 31, 2012</b>				
Restricted	0	197,607	966	198,573
Unassigned	104,424	0	0	104,424
Fund cash balances, December 31, 2012	\$ 104,424	\$ 197,607	\$ 966	\$ 302,997

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

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

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

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

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

**Basis of Accounting** - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State of Ohio.

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

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

General Fund

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

Special Revenue Funds

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

*Road and Bridge Fund*

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

*Gasoline Tax Fund*

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

*Special Levy (Fire Protection) Fund*

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

Capital Projects Fund

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

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

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

**Budgetary Process** - The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations**

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

**Estimated Resources**

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

**Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

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

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

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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

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

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

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

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

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-**

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

	<b>2013</b>	<b>2012</b>
Interest Checking	\$ <u>296,901</u>	\$ <u>302,997</u>

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

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

**NOTE 3 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2013 was as follows:

**2013 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 35,822	\$ 50,174	\$ 14,352
Special revenue	171,996	162,189	( 9,807)
Capital project	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>207,818</u></b>	<b>\$ <u>212,363</u></b>	<b>\$ <u>4,545</u></b>

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 127,935	\$ 53,644	\$ 74,291
Special revenue	309,567	164,815	144,752
Capital project	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>437,502</u></b>	<b>\$ <u>218,459</u></b>	<b>\$ <u>219,043</u></b>

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

**NOTE 3 - BUDGETARY ACTIVITY:-** (continued)

Budgetary activity for the year ending December 31, 2012 was as follows:

**2012 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 46,145	\$ 68,012	\$ 21,867
Special revenue	171,996	164,774	( 7,222)
Capital project	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>218,141</u></b>	<b>\$ <u>232,786</u></b>	<b>\$ <u>14,645</u></b>

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 140,787	\$ 53,000	\$ 87,787
Special revenue	319,418	119,819	199,599
Capital project	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>460,205</u></b>	<b>\$ <u>172,819</u></b>	<b>\$ <u>287,386</u></b>

Contrary to Ohio law appropriations exceeded estimated resources during 2012 in the General Fund by \$5,230 and Contrary to Ohio law appropriations exceeded available resources in the special revenue funds by \$1,992.

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

**NOTE 4 - PROPERTY TAX:-**

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

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

**NOTE 5 - DEBT:-**

Debt outstanding at December 31, 2013, was as follows:

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2012</u>	<u>Due Within</u> <u>One Year</u>
Mower Acquisition Bond	\$ 35,750	\$ 0	\$ ( 8,455)	\$ 27,295	\$ 8,722
	<u>Balance</u> <u>12/31/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2013</u>	<u>Due Within</u> <u>One Year</u>
Mower Acquisition Bond	\$ 27,295	\$ 0	\$ ( 8,708)	\$ 18,587	\$ 9,093

In 2011, the Township obtained Mower Acquisition Bonds to purchase a new tractor and mower for \$35,750. The bonds are to be paid back over a 4 year period and have an interest rate of 4.25%. The annual payments are \$9,883, including principal and interest, and are due May 1st of each year beginning in 2012. As of December 31, 2013, the Township owes \$18,587 of principal on the bond.

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

<b>Future minimum payments:</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 9,093	\$ 790	\$ 9,883
2015	9,494	389	9,883
<b>Total</b>	<u>\$ 18,587</u>	<u>\$ 1,179</u>	<u>\$ 19,766</u>

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

**NOTE 6 - RETIREMENT SYSTEMS:-**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2013 and 2012, PERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2013 and 2012. The Township has paid all contributions required through December 31, 2013.

**NOTE 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, 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, 2013 and 2012.

		<b>2013</b>		<b>2012</b>
Assets	\$	34,954,286	\$	34,771,270
Liabilities		( 8,486,363)		( 9,355,082)
Net Assets	\$	26,467,923	\$	25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

**NOTE 7 - RISK MANAGEMENT:-** (continued)

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.

<b><u>Contributions to OTARMA</u></b>	
2013	2012
\$ <u>6,158</u>	\$ <u>6,239</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**NOTE 8 - SUBSEQUENT EVENT:-**

The Township evaluated subsequent events through September 10, 2014, the date which the financial statements were available to be issued.



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

Holmes Township  
Crawford County  
3865 Holmes Center Road  
Bucyrus, Oh 44820-8927

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 Holmes Township, Crawford County, Ohio, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

**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 2013-001 through 2013-003.

We also noted certain matters that we reported to management of the Township, in a separate letter dated September 10, 2014.

We also noted certain matters not requiring inclusion in this report that we reported to management of the Township, in a separate letter dated September 10, 2014.

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

**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.



Certified Public Accountants

Marion, Ohio  
September 10, 2014

**HOLMES TOWNSHIP  
CRAWFORD COUNTY  
SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

<b>Finding Number</b>	<b>2013-001</b>
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**Noncompliance Citation – Appropriations Exceed Certified Resources**

Ohio Revised Code, Section 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We noted that General Fund appropriations for 2012 exceeded certified resources by \$5,230, contrary to Ohio Rev. Code Section 5705.39, as outlined in Note 3 of the financial statements.

The Trustees should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Township to incur fund balance deficits. We recommend the Board of Trustees and the fiscal officer periodically review the Township’s appropriations versus certified resources to identify and investigate any variances and to help monitor legal compliance. The Trustees should ensure that the Township has properly prepared and submitted all required budgetary documents to the county auditor.

We also noted in 2012, that appropriations exceeded actual available resources in the special revenue funds by \$1,992. The Township did not collect the amount of revenue that they anticipated to collect in those funds and did not amend their estimated certificate to reflect the deficiency.

Ohio Revised Code Section 5705.36(A)(4) states that upon determination by the fiscal officer that the revenue to be collected by the Township will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the budget commission, and the commission shall certify an amended certificate reflecting the deficiency. Appropriations should then be amended as well to reflect the same change as the resources.

**Officials response:-** The Township will continue to monitor budgetary information.

<b>Finding Number</b>	<b>2013-002</b>
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**Non Compliance Citation – Certified Resources and Appropriations**

We compared the total estimated receipts from the Amended Certificate of Estimated Resources, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue status Report for all funds. We also compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to amounts recorded in the Appropriation Status Report for all funds.

During our testing, we also noted that the Amended Certificate of Estimated Resources did not tie to the estimated revenue recorded in the Township’s UAN accounting software. In 2013, the General Fund showed a difference of \$10,323 between the two documents. Also during our testing, we noted that the Appropriation Resolution did not tie to the appropriations recorded in the Township’s UAN accounting software. In 2012, the General Fund showed a difference of \$6,645 between the two documents. Each time estimated resources or appropriations are adopted or amended, the Township should ensure the amounts are updated timely in the UAN accounting software.

**Officials response:-** The Township will continue to monitor budgetary information.

**HOLMES TOWNSHIP  
CRAWFORD COUNTY  
SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

<b>Finding Number</b>	<b>2013-003</b>
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**Noncompliance Citation – Public Records Policy**

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

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

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

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

**Officials response:-** The Township will continue to maintain all records until a public records policy is adopted.

**HOLMES TOWNSHIP  
CRAWFORD COUNTY**  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Significant Deficiency - Management Override of Controls	Yes	Finding No Longer Valid.
2011-002	Significant Deficiency - Record Retention.	Yes	Finding No Longer Valid.
2011-003	Noncompliance Citation - Public Records Policy.	Yes	Finding No Longer Valid.
2011-004	Noncompliance Citation - Prior Certification of Funds.	No	Significantly Corrective Action Taken. Repeated in the Management Letter.
2011-005	Material Weakness / Noncompliance Citation - Trustees Compensation.	Yes	Finding No Longer Valid.

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# Dave Yost • Auditor of State

**HOLMES TOWNSHIP**

**CRAWFORD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 14, 2014**