



**HOLMES TOWNSHIP
CRAWFORD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

HOLMES TOWNSHIP
CRAWFORD COUNTY

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CRAWFORD COUNTY

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INDEPENDENT AUDITOR'S REPORT

Holmes Township
Crawford County
3574 Holmes Center Road
Bucyrus, OH 44820

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holmes Township, Crawford County, Ohio (the Township), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2019 and 2018, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Road and Bridge, Gasoline Tax, Fire Protection Levy, and Fire, Rescue & EMS funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

November 23, 2020

Holmes Township
Crawford County
Statement of Net Position - Cash Basis
For the Year Ended December 31, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$308,012
<i>Total Assets</i>	\$308,012
 Net Position	
Restricted for:	
Other Purposes	281,068
Unrestricted	26,944
<i>Total Net Position</i>	\$308,012

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2019

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
General Government	\$97,564	\$0	\$0	(\$97,564)
Public Safety	56,626	0	49,280	(7,346)
Public Works	157,958	132,218	0	(25,740)
Health	1,968	0	0	(1,968)
Capital Outlay	21,916	0	0	(21,916)
Debt Service:			0	
Principal Retirement	90,674	0	0	(90,674)
Interest and Fiscal Charges	4,493	0	0	(4,493)
<i>Total Governmental Activities</i>	<u>431,199</u>	<u>132,218</u>	<u>49,280</u>	<u>(249,701)</u>
		General Receipts:		
				193,176
				20,209
				2,029
				<u>4,150</u>
		Total General Receipts		
				<u>219,564</u>
		<i>Change in Net Position</i>		
				(30,137)
		<i>Net Position Beginning of Year</i>		
				<u>338,149</u>
		<i>Net Position End of Year</i>		
				<u><u>\$308,012</u></u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

	General	Road and Bridge	Gasoline Tax	Fire Protection Levy	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalen	\$26,944	\$57,739	\$109,271	\$87,815	\$26,243	\$308,012
<i>Total Assets</i>	<u>\$26,944</u>	<u>\$57,739</u>	<u>\$109,271</u>	<u>\$87,815</u>	<u>\$26,243</u>	<u>\$308,012</u>
Fund Balances						
Restricted	\$0	\$0	\$109,271	\$87,815	\$26,243	\$223,329
Committed	0	57,739	0	0	0	57,739
Assigned	14,897	0	0	0	0	14,897
Unassigned	12,047	0	0	0	0	12,047
<i>Total Fund Balances</i>	<u>\$26,944</u>	<u>\$57,739</u>	<u>\$109,271</u>	<u>\$87,815</u>	<u>\$26,243</u>	<u>\$308,012</u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

	General	Road and Bridge	Gasoline Tax	Fire Protection Levy	Fire Rescue & EMS	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$32,684	\$39,222	\$0	\$121,270	\$0	\$0	\$193,176
Intergovernmental	20,209	4,266	109,077	4,865	49,280	14,010	201,707
Earnings on Investments	439	0	1,282	0	0	308	2,029
Miscellaneous	2,984	133	0	1,033	0	0	4,150
<i>Total Receipts</i>	<u>56,316</u>	<u>43,621</u>	<u>110,359</u>	<u>127,168</u>	<u>49,280</u>	<u>14,318</u>	<u>401,062</u>
Disbursements							
Current:							
General Government	54,300	0	0	43,264	0	0	97,564
Public Safety	0	0	0	7,346	49,280	0	56,626
Public Works	2,686	56,104	87,959	0	0	11,209	157,958
Health	1,968	0	0	0	0	0	1,968
Capital Outlay	19,212	2,704	0	0	0	0	21,916
Debt Service:							
Principal Retirement	0	0	11,004	79,670	0	0	90,674
Interest and Fiscal Charges	0	0	314	4,179	0	0	4,493
<i>Total Disbursements</i>	<u>78,166</u>	<u>58,808</u>	<u>99,277</u>	<u>134,459</u>	<u>49,280</u>	<u>11,209</u>	<u>431,199</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(21,850)	(15,187)	11,082	(7,291)	0	3,109	(30,137)
<i>Fund Balances Beginning of Year</i>	<u>48,794</u>	<u>72,926</u>	<u>98,189</u>	<u>95,106</u>	<u>0</u>	<u>23,134</u>	<u>338,149</u>
<i>Fund Balances End of Year</i>	<u>\$26,944</u>	<u>\$57,739</u>	<u>\$109,271</u>	<u>\$87,815</u>	<u>\$0</u>	<u>\$26,243</u>	<u>\$308,012</u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$34,885	\$34,885	\$32,684	(\$2,201)
Intergovernmental	18,993	18,993	20,209	1,216
Earnings on Investments	250	250	439	189
Miscellaneous	2,000	2,000	2,984	984
<i>Total Receipts</i>	<u>56,128</u>	<u>56,128</u>	<u>56,316</u>	<u>188</u>
Disbursements				
Current:				
General Government	60,682	62,722	54,300	8,422
Public Works	7,000	4,960	2,686	2,274
Health	2,300	2,300	1,968	332
Capital Outlay	23,000	23,000	19,212	3,788
<i>Total Disbursements</i>	<u>92,982</u>	<u>92,982</u>	<u>78,166</u>	<u>14,816</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(36,854)</u>	<u>(36,854)</u>	<u>(21,850)</u>	<u>15,004</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	48,794	48,794	48,794	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$11,940</u>	<u>\$11,940</u>	<u>\$26,944</u>	<u>\$15,004</u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$39,423	\$39,423	\$39,222	(\$201)
Intergovernmental	6,500	6,500	4,266	(2,234)
Miscellaneous	900	900	133	(767)
<i>Total Receipts</i>	46,823	46,823	43,621	(3,202)
Disbursements				
Current:				
Public Works	68,200	68,200	56,104	12,096
Capital Outlay	15,000	15,000	2,704	12,296
<i>Total Disbursements</i>	83,200	83,200	58,808	24,392
<i>Excess of Receipts Over (Under) Disbursements</i>	(36,377)	(36,377)	(15,187)	21,190
<i>Unencumbered Fund Balance Beginning of Year</i>	72,926	72,926	72,926	-
<i>Unencumbered Fund Balance End of Year</i>	\$36,549	\$36,549	\$57,739	\$21,190

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$80,000	\$80,000	\$109,077	\$29,077
Earnings on Investments	350	350	1,282	932
<i>Total Receipts</i>	<u>80,350</u>	<u>80,350</u>	<u>110,359</u>	<u>30,009</u>
Disbursements				
Current:				
Public Works	123,032	123,032	87,959	35,073
Debt Service:				
Principal Retirement	11,004	11,004	11,004	-
Interest and Fiscal Charges	314	314	314	-
<i>Total Disbursements</i>	<u>134,350</u>	<u>134,350</u>	<u>99,277</u>	<u>35,073</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(54,000)</u>	<u>(54,000)</u>	<u>11,082</u>	<u>65,082</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	98,189	98,189	98,189	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$44,189</u>	<u>\$44,189</u>	<u>\$109,271</u>	<u>\$65,082</u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Protection Levy Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$116,699	\$116,699	\$121,270	\$4,571
Intergovernmental	8,500	8,500	4,865	(3,635)
Miscellaneous	1,500	1,500	1,033	(467)
<i>Total Receipts</i>	<u>126,699</u>	<u>126,699</u>	<u>127,168</u>	<u>469</u>
Disbursements				
Current:				
General Government	68,089	68,089	43,264	24,825
Public Safety	10,000	10,000	7,346	2,654
Debt Service:				
Principal Retirement	82,821	82,821	79,670	3,151
Interest and Fiscal Charges	4,179	4,179	4,179	-
<i>Total Disbursements</i>	<u>165,089</u>	<u>165,089</u>	<u>134,459</u>	<u>30,630</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(38,390)</u>	<u>(38,390)</u>	<u>(7,291)</u>	<u>31,099</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	95,106	95,106	95,106	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$56,716</u>	<u>\$56,716</u>	<u>\$87,815</u>	<u>\$31,099</u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire, Rescue & EMS Fund
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$49,280	\$49,280	\$49,280	\$0
<i>Total Receipts</i>	<u>49,280</u>	<u>49,280</u>	<u>49,280</u>	<u>-</u>
Disbursements				
Current:				
Public Safety	49,280	49,280	49,280	-
<i>Total Disbursements</i>	<u>49,280</u>	<u>49,280</u>	<u>49,280</u>	<u>-</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	-	-	-	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

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Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

Holmes Township, Crawford County, Ohio, (the Township) is a body politic and corporate 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 a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is composed of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The primary government of the Township provides the following services to its citizens: general government services, maintenance of Township roads and bridges, cemetery maintenance, and fire protection services. The Township contracts with the Central Joint Ambulance District to provide emergency medical services.

Jointly Governed Organization and Public Entity Risk Pool

The Township participates in a jointly governed organization and a public entity risk pool. Notes 6 and 10 to the financial statements provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this Note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Government-Wide Financial Statements (Continued)

The comparison of direct disbursements with program receipts identifies the extent to which each governmental activity is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Fund Accounting

The Township uses fund accounting 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 all governmental.

Governmental Funds Governmental funds are those through which most governmental functions of the Township are financed. The following are the Township's major governmental funds:

General 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.

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 accounts for and reports property tax (inside millage) committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

Fire Protection Levy Fund The fire protection levy fund receives property tax levy money to pay for fire protection services.

Fire, Rescue & EMS Fund The fire, rescue, & EMS fund received grant money from the State Fire Marshall to pay for radio communication equipment related to fire protection services.

The other governmental funds of the Township account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, function, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

Cash

To improve cash management, cash received by the Township is pooled. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

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. It also includes the long-term amount of interfund loans.

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. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Township Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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. State Statute authorizes the Township Clerk to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general and major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 4 – Deposits

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2019 was \$6.10 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

Real Property	\$31,927,540
Public Utility Personal Property	5,342,240
Total	<u>\$37,269,780</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 6 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Risk Pool Membership

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 (local entity'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>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Township employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

State and Local	State and Local	State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula:	Traditional Plan Formula:	Traditional Plan Formula:
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula:	Combined Plan Formula:	Combined Plan Formula:
1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
2019 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee ***	10.0	%
2019 Actual Contribution Rates		
Employer:		
Pension	14.0	%
Post-employment Health Care Benefits ****	0.0	
Total Employer	14.0	%
Employee	10.0	%
***	Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.	
****	This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.	

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Township's contractually required contribution was \$7,962 for the year 2019.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Ohio Public Employees Retirement System (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2019, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Note 9 – Debt

Long-Term Obligations

The Township’s long-term debt activity for the year ended December 31, 2019, was as follows:

	Outstanding 12/31/18	Additions	Deletions	Outstanding 12/31/19	Due in One Year
Governmental Activities					
Road Truck Bonds	\$11,004	\$0	(\$11,004)	\$0	\$0
Fire Truck Bonds	161,360	0	(79,670)	81,690	81,690
Total Governmental Activities	\$172,364	\$0	(\$90,674)	\$81,690	\$81,690

In 2015, the Township obtained Truck Acquisition Bonds in the amount of \$42,200 to purchase a new road truck. The bonds are to be paid back over a 4 year period and have an interest rate of 2.71%. The annual payments are \$11,285.33, including interest, and are due on October 8th of each year beginning in 2016.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Long-Term Obligations (Continued)

In 2016, the Township obtained Fire Truck Acquisition Bonds in the amount of \$315,000 to purchase a new fire truck. The bonds are to be paid back over a 4 year period and have an interest rate of 2.6%. The annual payments are \$83,849.16, including interest, and are due on September 1st of each year beginning in 2017.

Amortization

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

Year ending December 31:	Fire Truck Bonds
2020	<u>83,849</u>
Total	<u><u>\$83,849</u></u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2019, were an overall debt margin of \$3,352,392 and an unvoted debt margin of \$1,756,015.

Note 10 – Jointly Governed Organization

The Central Joint Ambulance District (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.71. The District provides ambulance services to the City of Bucyrus and eleven townships, including Bucyrus Township. Each participant has one representative on the District's board of directors. Financial information can be obtained from the Central Joint Ambulance District, 1957 State Route 19, Bucyrus, Ohio 44820.

Note 11 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Society. The impact on the Society's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Holmes Township
Crawford County
Statement of Net Position - Cash Basis
December 31, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$338,149
<i>Total Assets</i>	<i>\$338,149</i>
 Net Position	
Restricted for:	
Other Purposes	289,355
Unrestricted	48,794
<i>Total Net Position</i>	<i>\$338,149</i>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2018

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
General Government	\$74,196	\$0	\$0	(\$74,196)
Public Safety	8,536	0	0	(8,536)
Public Works	121,978	0	113,424	(8,554)
Health	1,586	0	0	(1,586)
Other	0	880	903	1,783
Capital Outlay	11,856	0	0	(11,856)
Debt Service:				
Principal Retirement	88,298	0	0	(88,298)
Interest and Fiscal Charges	6,836	0	0	(6,836)
<i>Total Governmental Activities</i>	<u>313,286</u>	<u>880</u>	<u>114,327</u>	<u>(198,079)</u>
		General Receipts:		
			Property Taxes	195,514
			Grants and Entitlements not Restricted to Specific Program	19,554
			Miscellaneous	2,362
			<u>Total General Receipts</u>	<u>217,430</u>
			<i>Change in Net Position</i>	19,351
			<i>Net Position Beginning of Year</i>	<u>318,798</u>
			<i>Net Position End of Year</i>	<u><u>\$338,149</u></u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2018

	General	Road and Bridge	Gasoline Tax	Fire Protection Levy	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalen	\$48,794	\$72,926	\$98,189	\$95,106	\$23,134	\$338,149
<i>Total Assets</i>	<u>\$48,794</u>	<u>\$72,926</u>	<u>\$98,189</u>	<u>\$95,106</u>	<u>\$23,134</u>	<u>\$338,149</u>
Fund Balances						
Restricted	\$0	\$0	\$98,189	\$95,106	\$23,134	\$216,429
Committed	0	72,926	0	0	0	72,926
Assigned	42,732	0	0	0	0	42,732
Unassigned	6,062	0	0	0	0	6,062
<i>Total Fund Balances</i>	<u>\$48,794</u>	<u>\$72,926</u>	<u>\$98,189</u>	<u>\$95,106</u>	<u>\$23,134</u>	<u>\$338,149</u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2018

	General	Road and Bridge	Gasoline Tax	Fire Protection Levy	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$34,411	\$41,278	\$0	\$119,825	\$0	\$195,514
Intergovernmental	19,554	4,295	89,726	5,504	13,899	132,978
Earnings on Investments	269	0	515	0	119	903
Miscellaneous	1,871	101	0	1,270	0	3,242
<i>Total Receipts</i>	<u>56,105</u>	<u>45,674</u>	<u>90,241</u>	<u>126,599</u>	<u>14,018</u>	<u>332,637</u>
Disbursements						
Current:						
General Government	46,309	0	0	27,887	0	74,196
Public Safety	0	0	0	8,536	0	8,536
Public Works	5,922	26,181	78,377	0	11,498	121,978
Health	1,586	0	0	0	0	1,586
Capital Outlay	11,356	500	0	0	0	11,856
Debt Service:						
Principal Retirement	0	0	10,690	77,608	0	88,298
Interest and Fiscal Charges	0	0	595	6,241	0	6,836
<i>Total Disbursements</i>	<u>65,173</u>	<u>26,681</u>	<u>89,662</u>	<u>120,272</u>	<u>11,498</u>	<u>313,286</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(9,068)	18,993	579	6,327	2,520	19,351
<i>Fund Balances Beginning of Year</i>	<u>57,862</u>	<u>53,933</u>	<u>97,610</u>	<u>88,779</u>	<u>20,614</u>	<u>318,798</u>
<i>Fund Balances End of Year</i>	<u>\$48,794</u>	<u>\$72,926</u>	<u>\$98,189</u>	<u>\$95,106</u>	<u>\$23,134</u>	<u>\$338,149</u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$32,202	\$32,202	\$34,411	\$2,209
Intergovernmental	19,246	19,246	19,554	308
Earnings on Investments	230	230	269	39
Miscellaneous	2,000	2,000	1,871	(129)
<i>Total Receipts</i>	<u>53,678</u>	<u>53,678</u>	<u>56,105</u>	<u>2,427</u>
Disbursements				
Current:				
General Government	61,302	61,302	46,309	14,993
Public Works	7,500	7,500	5,922	1,578
Health	2,300	2,300	1,586	714
Capital Outlay	23,000	23,000	11,356	11,644
<i>Total Disbursements</i>	<u>94,102</u>	<u>94,102</u>	<u>65,173</u>	<u>28,929</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(40,424)</u>	<u>(40,424)</u>	<u>(9,068)</u>	<u>31,356</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	57,862	57,862	57,862	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$17,438</u>	<u>\$17,438</u>	<u>\$48,794</u>	<u>\$31,356</u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$42,343	\$42,343	\$41,278	(\$1,065)
Intergovernmental	4,295	4,295	4,295	-
Miscellaneous	1,000	1,000	101	(899)
<i>Total Receipts</i>	<u>47,638</u>	<u>47,638</u>	<u>45,674</u>	<u>(1,964)</u>
Disbursements				
Current:				
Public Works	70,500	70,500	26,181	44,319
Capital Outlay	15,000	15,000	500	14,500
<i>Total Disbursements</i>	<u>85,500</u>	<u>85,500</u>	<u>26,681</u>	<u>58,819</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,862)</u>	<u>(37,862)</u>	<u>18,993</u>	<u>56,855</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	53,933	53,933	53,933	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$16,071</u>	<u>\$16,071</u>	<u>\$72,926</u>	<u>\$56,855</u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$85,000	\$85,000	\$89,726	\$4,726
Earnings on Investments	300	300	515	215
Miscellaneous	200	200	-	(200)
<i>Total Receipts</i>	<u>85,500</u>	<u>85,500</u>	<u>90,241</u>	<u>4,741</u>
Disbursements				
Current:				
Public Works	138,065	138,065	78,377	59,688
Debt Service:				
Principal Retirement	10,690	10,690	10,690	-
Interest and Fiscal Charges	595	595	595	-
<i>Total Disbursements</i>	<u>149,350</u>	<u>149,350</u>	<u>89,662</u>	<u>59,688</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(63,850)</u>	<u>(63,850)</u>	<u>579</u>	<u>64,429</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	97,610	97,610	97,610	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$33,760</u>	<u>\$33,760</u>	<u>\$98,189</u>	<u>\$64,429</u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Protection Levy Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$115,980	\$115,980	\$119,825	\$3,845
Intergovernmental	5,504	5,504	5,504	-
Miscellaneous	2,000	2,000	1,270	(730)
<i>Total Receipts</i>	<u>123,484</u>	<u>123,484</u>	<u>126,599</u>	<u>3,115</u>
Disbursements				
Current:				
General Government	24,250	44,250	27,887	16,363
Public Safety	13,151	13,151	8,536	4,615
Debt Service:				
Principal Retirement	77,608	77,608	77,608	-
Interest and Fiscal Charges	6,241	6,241	6,241	-
<i>Total Disbursements</i>	<u>121,250</u>	<u>141,250</u>	<u>120,272</u>	<u>20,978</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,234</u>	<u>(17,766)</u>	<u>6,327</u>	<u>24,093</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	88,779	88,779	88,779	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$91,013</u>	<u>\$71,013</u>	<u>\$95,106</u>	<u>\$24,093</u>

See accompanying notes to the basic financial statements

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

Holmes Township, Crawford County, Ohio, (the Township) is a body politic and corporate 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 a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is composed of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The primary government of the Township provides the following services to its citizens: general government services, maintenance of Township roads and bridges, cemetery maintenance, and fire protection services. The Township contracts with the Central Joint Ambulance District to provide emergency medical services.

Jointly Governed Organization and Public Entity Risk Pool

The Township participates in a jointly governed organization and a public entity risk pool. Notes 6 and 10 to the financial statements provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this Note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net position presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Government-Wide Financial Statements (Continued)

The comparison of direct disbursements with program receipts identifies the extent to which each governmental activity is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Fund Accounting

The Township uses fund accounting 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 all governmental.

Governmental Funds Governmental funds are those through which most governmental functions of the Township are financed. The following are the Township's major governmental funds:

General 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.

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 accounts for and reports property tax (inside millage) committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

Fire Protection Levy Fund The fire protection levy fund receives property tax levy money to pay for fire protection services.

The other governmental funds of the Township account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Budgetary Process (Continued)

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, function, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

Cash

To improve cash management, cash received by the Township is pooled. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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. It also includes the long-term amount of interfund loans.

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. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Township Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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. State Statute authorizes the Township Clerk to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general and major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2018, was \$6.10 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	\$33,932,180
Public Utility Personal Property	4,824,050
Total	<u>\$38,756,230</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 6 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Risk Pool Membership

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 (local entity'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

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Township employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

State and Local	State and Local	State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula:	Traditional Plan Formula:	Traditional Plan Formula:
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula:	Combined Plan Formula:	Combined Plan Formula:
1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local				
2018 Statutory Maximum Contribution Rates					
Employer	14.0	%			
Employee ***	10.0	%			
2018 Actual Contribution Rates					
Employer:					
Pension	14.0	%			
Post-employment Health Care Benefits ****	0.0				
Total Employer	14.0	%			
Employee	10.0	%			
***	Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.				
****	This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.				

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Township's contractually required contribution was \$8,520 for the year 2018.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS CAFR referenced below for additional information.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Note 9 – Debt

Long-Term Obligations

The Township’s long-term debt activity for the year ended December 31, 2018, was as follows:

	Outstanding 12/31/17	Additions	Deletions	Outstanding 12/31/18	Due in One Year
Governmental Activities					
Road Truck Bonds	\$21,694	\$0	(\$10,690)	\$11,004	\$11,004
Fire Truck Bonds	238,968	0	(77,608)	161,360	79,670
Total Governmental Activities	\$260,662	\$0	(\$88,298)	\$172,364	\$90,674

In 2015, the Township obtained Truck Acquisition Bonds in the amount of \$42,200 to purchase a new road truck. The bonds are to be paid back over a 4 year period and have an interest rate of 2.71%. The annual payments are \$11,285.33, including interest, and are due on October 8th of each year beginning in 2016.

In 2016, the Township obtained Fire Truck Acquisition Bonds in the amount of \$315,000 to purchase a new fire truck. The bonds are to be paid back over a 4 year period and have an interest rate of 2.6%. The annual payments are \$83,849.16, including interest, and are due on September 1st of each year beginning in 2017.

Holmes Township
Crawford County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Amortization

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

	Road Truck Bonds	Fire Truck Bonds
Year ending December 31:		
2019	\$11,285	\$83,849
2020	0	83,849
Total	\$11,285	\$167,698

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2018, were an overall debt margin of \$3,562,879 and an unvoted debt margin of \$1,866,270.

Note 10 – Jointly Governed Organization

The Central Joint Ambulance District (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.71. The District provides ambulance services to the City of Bucyrus and eleven townships, including Bucyrus Township. Each participant has one representative on the District’s board of directors. Financial information can be obtained from the Central Joint Ambulance District, 1957 State Route 19, Bucyrus, Ohio 44820.

Note 11 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Society. The impact on the Society’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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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
3574 Holmes Center Road
Bucyrus, OH 44820

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 governmental activities, each major fund, and the aggregate remaining fund information of Holmes Township, Crawford County, Ohio, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated November 23, 2020, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) as a basis for designing 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 findings that we consider material weaknesses. We consider findings 2019-001 and 2019-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-002.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 23, 2020

**HOLMES TOWNSHIP
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township does not have sufficient internal controls in place to help ensure receipts, expenditures, and fund balances are properly classified on the financial statements. As a result, below are descriptions of the reclassifications and adjustments that were deemed material and required posting to the Township's December 31, 2019 and 2018 financial statements:

- In 2018, General Fund balance of \$42,732 was reclassified from restricted to assigned in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.
- In 2018, Road and Bridge Fund balance of \$72,926 was reclassified from restricted to committed in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.
- In 2018, General Fund homestead & rollback receipts of \$5,798 were reclassified from property and other local taxes to intergovernmental.
- In 2018, Road and Bridge Fund homestead & rollback receipts of \$6,657 were reclassified from property and other local taxes to intergovernmental.
- In 2018, Fire Protection Levy Fund homestead & rollback receipts of \$9,020 were reclassified from property and other local taxes to intergovernmental.
- In 2018, Gasoline Tax Fund debt expenditures of \$11,285 were reclassified from capital outlay to principal retirement (\$10,690) and interest and fiscal charges (\$595).
- In 2018, Fire Protection Levy Fund debt expenditures of \$83,849 were reclassified from public safety to principal retirement (\$77,608) and interest and fiscal charges (\$6,241).
- In 2019, General Fund balance of \$14,897 was reclassified from restricted to assigned in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.
- In 2019, Road and Bridge Fund balance of \$57,739 was reclassified from restricted to committed in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.
- In 2019, General Fund homestead & rollback receipts of \$6,115 were reclassified from property and other local taxes to intergovernmental.
- In 2019, Road and Bridge Fund homestead & rollback receipts of \$6,843 were reclassified from property and other local taxes to intergovernmental.
- In 2019, Fire Protection Levy Fund homestead & rollback receipts of \$8,166 were reclassified from property and other local taxes to intergovernmental.
- In 2019, Gasoline Tax Fund debt expenditures of \$11,318 were reclassified from capital outlay to principal retirement (\$11,004) and interest and fiscal charges (\$314).
- In 2019, Fire Protection Levy Fund debt expenditures of \$83,849 were reclassified from public safety to principal retirement (\$79,670) and interest and fiscal charges (\$4,179).
- In 2019, Governmental Activities capital grants and contributions program revenue of \$49,280 was reclassified from other to public safety.

**HOLMES TOWNSHIP
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2019-001

Financial Reporting – Material Weakness (Continued)

Additionally, the Township did not properly report major funds in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. In 2018, adjustments were made to report the Gasoline Tax Fund as a major fund. In 2019, adjustments were made to report the Road and Bridge Fund, Gasoline Tax Fund, Fire Protection Levy Fund, and Fire, Rescue & EMS Fund as major funds. Budget versus actual financial statements were added for the major funds which were improperly omitted each year. Also, several changes to the notes to the financial statements were required for both years to include all applicable GASB 34 disclosures.

The Township has recorded these reclassifications and adjustments to the financial statements and accounting records. By not ensuring proper financial statement presentation, the Township cannot report accurate financial activity to its constituents.

The Township should implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions. Furthermore, the Township should review guidance provided by GASB Statement No. 34 regarding the calculation of major funds to ensure all funds that qualify are presented as major funds within the financial statements.

Officials' Response: We did not receive a response from officials to this finding.

HOLMES TOWNSHIP
CRAWFORD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2019-002

Receipt Posting – Material Noncompliance / Material Weakness

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. All revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund.

The Township does not have sufficient internal controls in place to help ensure financial transactions are properly recorded in the accounting ledgers. As a result, the Township posted receipts to improper funds as follows:

- In 2018, General Fund local government receipts totaling \$5,878 were incorrectly posted to the Road and Bridge Fund (\$2,362) and Fire Protection Levy Fund (\$3,516).
- In 2019, General Fund local government receipts totaling \$5,878 were incorrectly posted to the Road and Bridge Fund (\$2,577) and Fire Protection Levy Fund (\$3,301).

Audit adjustments are reflected in the financial statements and in the accounting records correcting these misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

The Township should implement internal control procedures to review revenue sources for possible restrictions, and should ensure all unrestricted receipts are paid into the General Fund.

Officials' Response: We did not receive a response from officials to this finding.

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OHIO AUDITOR OF STATE KEITH FABER



HOLMES TOWNSHIP

CRAWFORD COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/9/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov