



Dave Yost • Auditor of State

**OLIVE TOWNSHIP
MEIGS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Olive Township
Meigs County
P.O. Box 242
Tuppers Plains, Ohio 45783-0242

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof, for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

The Township did not adjust the 2013 or 2012 financial statements to reflect the findings for adjustment.

Contrary to Ohio Revised Code, the Township allocated the trustees' salaries to restricted funds without certifying hours spent providing these services to the Township. The Township has declined to adjust its financial statements or accounting records. Had these expenditures been debited to the General Fund, the net effect would be a decrease in the General Fund cash balance at December 31, 2013 of \$55,529 and increases in the Motor Vehicle License Tax, the Gasoline Tax, the Road and Bridge and the Cemetery Special Levy cash fund balances of \$13,972, \$35,289, \$2,016 and \$4,252, respectively.

Opinion on Regulatory Basis of Accounting

In our opinion, because of the effects of the December 31, 2013 and 2012 fund cash balance misstatements discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above do not present fairly, in all material respects, the cash fund balance of the General Fund and the combined fund cash balances of the Special Revenue Funds of Olive Township, Meigs County, Ohio, as of December 31, 2013 and 2012, or its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 7, 2014

**OLIVE TOWNSHIP
MEIGS COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 19,968	\$ 48,359	\$ 68,327
Intergovernmental	25,871	131,768	157,639
Earnings on Investments	373	106	479
Miscellaneous	5,037	100	5,137
<i>Total Cash Receipts</i>	<u>51,249</u>	<u>180,333</u>	<u>231,582</u>
Cash Disbursements			
Current:			
General Government	42,805	38	42,843
Public Safety		24,357	24,357
Public Works	1,714	94,286	96,000
Health		21,855	21,855
Debt Service:			
Principal Retirement	9,936		9,936
Interest and Fiscal Charges	1,309		1,309
<i>Total Cash Disbursements</i>	<u>55,764</u>	<u>140,536</u>	<u>196,300</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,515)</u>	<u>39,797</u>	<u>35,282</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources		350	350
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>350</u>	<u>350</u>
<i>Net Change in Fund Cash Balances</i>	(4,515)	40,147	35,632
<i>Fund Cash Balances, January 1</i>	<u>29,972</u>	<u>39,913</u>	<u>69,885</u>
Fund Cash Balances, December 31			
Restricted		86,810	86,810
Unassigned (Deficit)	25,457	(6,750)	18,707
<i>Fund Cash Balances, December 31</i>	<u>\$ 25,457</u>	<u>\$ 80,060</u>	<u>\$ 105,517</u>

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

OLIVE TOWNSHIP
MEIGS COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Agency</u>
Non-Operating Receipts	
Other Financing Sources	<u>\$ 4,790</u>
<i>Total Non-Operating Receipts</i>	<u>4,790</u>
<i>Net Change in Fund Cash Balances</i>	4,790
<i>Fund Cash Balances, January 1</i>	<u>0</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 4,790</u></u>

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

**OLIVE TOWNSHIP
MEIGS COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 17,435	\$ 48,084	\$ 65,519
Intergovernmental	31,121	134,557	165,678
Earnings on Investments	491	57	548
Miscellaneous	431	951	1,382
<i>Total Cash Receipts</i>	<u>49,478</u>	<u>183,649</u>	<u>233,127</u>
Cash Disbursements			
Current:			
General Government	52,770	2,404	55,174
Public Safety		23,887	23,887
Public Works	6,734	151,563	158,297
Health		5,347	5,347
Debt Service:			
Principal	41,991		41,991
Interest	1,511		1,511
<i>Total Cash Disbursements</i>	<u>103,006</u>	<u>183,201</u>	<u>286,207</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(53,528)</u>	<u>448</u>	<u>(53,080)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources		2,467	2,467
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>2,467</u>	<u>2,467</u>
<i>Net Change in Fund Cash Balances</i>	(53,528)	2,915	(50,613)
<i>Fund Cash Balances, January 1</i>	<u>83,500</u>	<u>36,998</u>	<u>120,498</u>
Fund Cash Balances, December 31			
Restricted		45,554	45,554
Unassigned (Deficit)	29,972	(5,641)	24,331
<i>Fund Cash Balances, December 31</i>	<u>\$ 29,972</u>	<u>\$ 39,913</u>	<u>\$ 69,885</u>

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

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**OLIVE TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Olive Township, Meigs County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool. Note 7 to the financial statements provides additional information for this entity

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Township had one primary, interest-bearing checking account during the period.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

**OLIVE TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Fiduciary Fund (Agency Fund)

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are for holding resources for individuals, organizations or other governments. The Township established the agency fund to account for unclaimed monies.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated. The Township did not encumber all commitments as required by Ohio Law.

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

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

**OLIVE TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	<u>2013</u>	<u>2012</u>
Demand deposits	<u>\$110,307</u>	<u>\$69,685</u>

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

**OLIVE TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,650	\$51,249	\$2,599
Special Revenue	191,301	180,683	(10,618)
Total	\$239,951	\$231,932	(\$8,019)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,790	\$55,764	\$9,026
Special Revenue	213,387	140,536	72,851
Total	\$278,177	\$196,300	\$81,877

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,645	\$49,478	\$4,833
Special Revenue	183,891	186,116	2,225
Total	\$228,536	\$235,594	\$7,058

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$103,006	(\$103,006)
Special Revenue	0	183,201	(183,201)
Total	\$0	\$286,207	(\$286,207)

Contrary to Ohio Law, budgetary expenditures exceeded legally adopted appropriations for all funds for the year ended December 31, 2012.

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Township.

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

**OLIVE TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Truck Loan	\$16,068	4.9%

The Township obtained an installment loan for \$49,251 in 2010, payable semi-annually, to finance the purchase of a truck for road maintenance. The loan is collateralized with the truck.

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

Year ending December 31:	General Obligation Notes
2014	\$11,246
2015	5,620
Total	\$16,866

6. Retirement System

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

For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. Risk Management

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**OLIVE TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	<u>(8,486,363)</u>	<u>(9,355,082)</u>
Net Position	<u>\$26,467.923</u>	<u>\$25,416.188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$9,000.

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

Contributions to OTARMA

<u>2013</u>	<u>2012</u>
\$9,335	\$10,854

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

8. Contingent Liabilities

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Olive Township
Meigs County
P.O. Box 242
Tuppers Plains, Ohio 45783-0242

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 Olive Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We issued an adverse opinion on the General and Special Revenue Funds because the Township declined to fully adjust its financial statements or accounting records for the audit finding for adjustments. These adjustments result in a material misstatement of General Fund and of the Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund and Cemetery Special Levy Fund (Special Revenue Funds) cash balances as of December 31, 2013 and 2012.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider findings 2013-003 and 2013-006 through 2013-008 described in the accompanying Schedule of Findings 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-007.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 7, 2014

**OLIVE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 121.22(C) provides that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

The Fiscal Officer did not retain minute records for June or July of 2013. The Township also had no documentation that the Board of Trustees held an organizational meeting in 2012. Further, the retained minute records on file did not have Trustees' signatures to indicate their acceptance and approval. Failure to maintain adequate and complete records hinders transparency of the Township. The signature of the President of the Board of Trustees indicates the minutes are an accurate reflection of the actions taken by the Trustees.

We recommend the Fiscal Officer document and maintain all regular and special meetings of the Board of Trustees. We further recommend the Board of Trustees sign the minute record on file to evidence their acceptance and approval of the content.

Official's Response: We will attempt to keep all documentation in the future.

FINDING NUMBER 2013-002

Noncompliance

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory securities; Ohio Rev. Code § 133.10 allows anticipation securities in anticipation of current property tax revenues; Ohio Rev. Code § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Ohio Rev. Code § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Township's debt outstanding at December 31, 2013 consisted of an installment loan with Farmers Bank secured by the acquired tractor and mower. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133. Failure to comply with the Ohio Revised Code could result in improper use of township money.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships. We recommend the Township contact their legal counsel before incurring future debt.

Official's Response: We will not use this debt type in the future.

**OLIVE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003

Finding for Adjustment, Noncompliance and Material Weakness

Ohio Revised Code § 505.24(C) sets forth the method by which township trustee's compensation should be allocated. The Auditor of State issued Bulletin 2013-002 on June 7, 2013 explaining that the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law. House Bill 153 modified Ohio Rev. Code § 505.24 to require township trustees paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Each township trustee that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee spent during that pay period providing services related to each fund to be charged.

During 2013 and 2012, the Township paid a portion of Trustee salaries and related payroll withholdings from restricted funds (Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, and Cemetery Special Levy Fund) without Trustees certifying hours spent providing these services to the Township. Further, the Township provided no other documentation showing the hours spent providing services to the Township to support compensation from restricted funds.

As a result of the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$55,529 and in favor of the Motor Vehicle License Tax Fund in the amount of \$13,972, the Gasoline Tax Fund in the amount of \$35,289, the Road and Bridge Fund in the amount of \$2,016, and the Cemetery Special Levy Fund in the amount of \$4,252. The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Township adopt formal administrative procedures for elected official compensation including requiring certification of time spent by Trustees on activities chargeable to restricted funds. Once these administrative procedures are established, the Fiscal Officer should charge the trustee salaries and related benefits to the applicable funds in accordance with the certifications. A sample certification is attached to Auditor of State Bulletin 2011-007.

Official's Response: We will correct this.

FINDING NUMBER 2013-004

Noncompliance

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

Further, Ohio Rev. Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

**OLIVE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-004 (Continued)

Noncompliance - Ohio Rev. Code § 5705.38 (Continued)

The Board of Trustees failed to pass an appropriation resolution for 2012 until March 6, 2012. However, the resolution in 2012 did not include any dollar amounts for these appropriations. As a result, all expenditures in 2012 were made absent of the legal appropriation authority.

We recommend Board of Trustees adopt an appropriation measure prior to expending or obligating funds. If Board of Trustees wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Official's Response: This has been corrected for 2014.

FINDING NUMBER 2013-005

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate - Fiscal Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by the Board adopted by a majority of the members of the Board against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

**OLIVE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-005 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not approve appropriations in 2012 resulting in 100 percent of the expenditure transactions not being encumbered. The Fiscal Officer did not certify 67 percent of the transactions tested for 2013 at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fiscal Officer certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires authorizing disbursements. We further recommend Council establish a maximum amount for blanket certificates through ordinance or resolution.

Official's Response: We will pay closer attention to this in the future.

FINDING NUMBER 2013-006

Noncompliance and Material Weakness

Ohio Admin Code § 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Fiscal Officer posted certain revenue and expenditures transactions incorrectly resulting in audit adjustments.

For the period ending December 31, 2013, the following items were noted:

- In the General Fund, intergovernmental receipts of \$2,282 relating to sources such as homestead and rollbacks and miscellaneous receipts of \$192 relating to reimbursements were incorrectly posted as tax receipts.

**OLIVE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-006 (Continued)

Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

- In the Special Revenue funds, intergovernmental receipts relating to homestead and rollback and manufactures homestead exemptions were incorrectly posted as taxes in the Road and Bridge Fund in the amount of \$6,175 and in the Fire Fund in the amount of \$2,365. Additionally, Gasoline Tax intergovernmental receipts totaling \$7,471 were incorrectly posted to the Motor Vehicle License Tax Fund in the amount of \$2,571 and to the Road and Bridge Fund in the amount of \$4,900. An on-behalf Fire Marshall Grant and subsequent public safety expenditure of \$10,000 was not posted to the financial system and \$2,730 in FEMA receipts were posted to the Road and Bridge Fund rather than in a separate FEMA Fund.

For the period ending December 31, 2012, the following items were noted:

- In the General Fund, intergovernmental receipts of \$6,523, relating to sources such as homestead and rollbacks, were incorrectly posted as tax receipts. FEMA funds totaling \$17,048 were incorrectly posted as intergovernmental receipts and the related expenditures of \$18,039 were posted as public works expenditures in the General Fund Government rather than to the FEMA fund. Additionally, principle and interest payments of \$4,688 and \$734 respectively were not posted to UAN. Advances out of the General Fund of \$9,217 to Special Revenue Funds (see below) were not supported or evidenced as approved by the Trustees. These advances were reversed.
- In the Special Revenue funds, intergovernmental receipts relating to homestead and rollback and manufactures homestead exemptions were incorrectly posted as taxes in the Gasoline Tax Fund in the amount of \$9,146 and in the Road and Bridge Fund in the amount of \$6,461. The Intergovernmental receipts of FEMA special revenue fund were increased by \$17,048 and the related public works expenditures of increased \$18,039 as discussed above under the General Fund adjustments. Advances in of \$2,390 to the Road and Bridge Fund, \$5,045 to the Fore Fund and \$1,782 to the Cemetery Fund from the General Fund were not supported or evidenced as approved by the Trustees and were reversed.

These misstatements were caused by a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to Appendix A of the Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures.

Official's Response: We will look in the Handbook to correct in the future.

**OLIVE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-007

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2013, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Resources per Certificate	Estimated Receipts per System	System Over/(Under) Certificate
General Fund	\$ 87,270	\$ 79,500	\$ (7,770)
Motor Vehicle License Tax	41,597	32,500	(9,097)
Gasoline Tax	136,092	107,160	(28,932)
Road & Bridge	173,887	138,500	(35,387)
Road Maint (Dust)	136,510	125,600	(10,910)
Fire Levy Fund	223,817	79,550	(144,267)
Permissive Motor Vehicle License Tax	18,148	15,150	(2,998)
Miscellaneous Special Revenue	20,227	20,000	(227)
Special Levy Cemetery	70,450	24,550	(45,900)
Cemetery	32,434	15,150	(17,284)

At December 31, 2012, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Resources per Certificate	Estimated Receipts per System	System Over/(Under) Certificate
General Fund	\$ 87,270	\$ 79,500	\$ (7,770)
Motor Vehicle License Tax	41,597	32,500	(9,097)
Gasoline Tax	136,092	107,160	(28,932)
Road & Bridge	173,887	138,500	(35,387)
Road Maint (Dust)	136,510	125,600	(10,910)
Fire Levy Fund	223,817	79,550	(144,267)
Permissive Motor Vehicle License Tax	18,148	15,150	(2,998)
Miscellaneous Special Revenue	20,227	20,000	(227)
Special Levy Cemetery	70,450	24,550	(45,900)
Cemetery	32,434	15,150	(17,284)

**OLIVE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-007 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(C)(1) (Continued)

At December 31, 2012, appropriations as approved by Board of Trustees did not agree to the Township's ledgers for the following funds:

Fund	Appropriation Measure, as Adopted	Appropriations per System	System Over/(Under) Measure
General Fund	\$ 79,589	\$ 72,177	\$ (7,412)
Motor Vehicle License Tax	46,848	38,000	(8,848)
Gasoline Tax	114,921	103,200	(11,721)
Road and Bridge	179,949	115,200	(64,749)
Road Maintenance	150,780	123,000	(27,780)
Fire Levy	240,718	221,000	(19,718)
Permissive Motor Vehicle License Tax	14,423	13,000	(1,423)
Miscellaneous Special Revenue	20,227	20,000	(227)
Special Levy Cemetery	62,864	59,200	(3,664)
Cemetery	24,579	20,000	(4,579)

Because the budgetary information posted to the accounting system differed from the amounts formally approved, the Board of Trustees lost some degree of control and was unable to effectively monitor and report its budget and actual status throughout the year.

We recommend the Fiscal Officer accurately post estimated receipts, as certified by the County Budget Commission, and appropriations, as approved by the Board of Trustees, to the accounting system to help ensure more useful comparisons of budget to actual activity and provide management with an accurate monitoring tool.

Official's Response: We will monitor this more closely.

FINDING NUMBER 2013-008

Material Weakness

Management has a key role to play in ensuring the Township establishes and maintains effective internal controls. The small size of the Township's staff did not allow for an adequate segregation of duties as the Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling Township monies. It is therefore important that the Board of Trustees monitor financial activity closely. When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies;
- Plan for adequate segregation of duties or compensating controls;
- Perform analytical procedures to determine the reasonableness of financial data including review of reports comparing budgeted to actual information.

**OLIVE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-008 (Continued)

Material Weakness (Continued)

During 2012, the Board of Trustees did not review and/or approve bank reconciliations or financial reports showing comparisons of budget to actual information. During 2013, the Board of Trustees failed to approve bank reconciliations four out of twelve months. During 2013, the Board of Trustees documented review of reports showing actual to estimated revenues eight months out of 24 in the audit period; the Board of Trustees did not documented review of reports showing actual disbursements to appropriation amounts for any month in 2013. Further, no alternative process existed to identify unusual fluctuations between accounts or between fiscal years. The inconsistency and inadequacy of financial information provided to the Board of Trustees for monthly review hampers its ability to effectively monitor the financial activity and position of the Township.

We recommend Board of Trustees become more consistent and diligent in its monitoring the financial activity of the Township. This includes the Board of Trustees reviewing and accepting/approving the monthly financial information provided by the Fiscal Officer including comparisons of budget and actual information. The review of this information should be noted in the Board of Trustees meeting minutes. The Board of Trustees should review bank reconciliations ensure the validity of the computations and attest to their accuracy. Supervisory reviews should be evidenced by the initials of the reviewer and the date of the review.

Official's Response: We will correct this.

**OLIVE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	A noncompliance citation of Ohio Rev. Code § 5705.10 for negative fund cash balances.	Yes	N/A
2011-002	A material weakness for inaccurate posting of receipts and disbursements.	No	Repeated as Findings 2013-003 and 2013-006.
2011--003	A material weakness for not performing bank reconciliations	No	N/A
2011-004	A material weakness for incurring late penalties and/or interest costs relating to debt.	No	N/A
2011-005	A noncompliance citation and material weakness for violating various budgetary requirements	No	Partially corrected. Repeated as items 2013-004, 2013-005, 2013-007 and in a separate letter to management.

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Dave Yost • Auditor of State

OLIVE TOWNSHIP

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 21, 2014**