



Dave Yost • Auditor of State

**OLIVE TOWNSHIP
NOBLE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Olive Township
Noble County
84 Jefferson Road
Caldwell, Ohio 43724

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Olive Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinion.

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

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

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* paragraphs, 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, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Olive Township, Noble County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2013, 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

June 19, 2013

**OLIVE TOWNSHIP
NOBLE 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	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$19,247	\$47,691		\$66,938
Intergovernmental	13,191	137,902		151,093
Earnings on Investments	39	24	\$1	64
Miscellaneous	106	2,821		2,927
<i>Total Cash Receipts</i>	<u>32,583</u>	<u>188,438</u>	<u>1</u>	<u>221,022</u>
Cash Disbursements				
Current:				
General Government	25,046	5,673		30,719
Public Safety	904			904
Public Works	5,355	124,137		129,492
Health	6,539	2,000	1	8,540
Capital Outlay		9,476		9,476
Debt Service:				
Principal Retirement		1,781		1,781
Interest and Fiscal Charges		11		11
<i>Total Cash Disbursements</i>	<u>37,844</u>	<u>143,078</u>	<u>1</u>	<u>180,923</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,261)</u>	<u>45,360</u>	<u>0</u>	<u>40,099</u>
Other Financing Receipts (Disbursements)				
Transfers In		15,242		15,242
Transfers Out		(15,242)		(15,242)
Advances In	5,000	5,000		10,000
Advances Out	(5,000)	(5,000)		(10,000)
Other Financing Uses	(177)			(177)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(177)</u>	<u>0</u>	<u>0</u>	<u>(177)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(5,438)</u>	<u>45,360</u>	<u>0</u>	<u>39,922</u>
<i>Fund Cash Balances, January 1</i>	<u>6,184</u>	<u>59,050</u>	<u>1,352</u>	<u>66,586</u>
Fund Cash Balances, December 31				
Nonspendable			1,352	1,352
Restricted		104,410		104,410
Unassigned (Deficit)	746			746
<i>Fund Cash Balances, December 31</i>	<u>\$746</u>	<u>\$104,410</u>	<u>\$1,352</u>	<u>\$106,508</u>

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

**OLIVE TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$20,176	\$50,514		\$70,690
Intergovernmental	22,348	125,973		148,321
Earnings on Investments	63	48	\$4	115
Miscellaneous		500		500
<i>Total Cash Receipts</i>	<u>42,587</u>	<u>177,035</u>	<u>4</u>	<u>219,626</u>
Cash Disbursements				
Current:				
General Government	24,953	3,260		28,213
Public Safety	904			904
Public Works	4,750	145,964		150,714
Health	10,480	515	8	11,003
Debt Service:				
Principal Retirement		14,644		14,644
Interest and Fiscal Charges		380		380
<i>Total Cash Disbursements</i>	<u>41,087</u>	<u>164,763</u>	<u>8</u>	<u>205,858</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,500</u>	<u>12,272</u>	<u>(4)</u>	<u>13,768</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	0	806		806
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>806</u>	<u>0</u>	<u>806</u>
<i>Net Change in Fund Cash Balances</i>	1,500	13,078	(4)	14,574
<i>Fund Cash Balances, January 1</i>	<u>4,684</u>	<u>45,972</u>	<u>1,356</u>	<u>52,012</u>
Fund Cash Balances, December 31				
Nonspendable			1,352	1,352
Restricted		59,050		59,050
Unassigned (Deficit)	6,184			6,184
<i>Fund Cash Balances, December 31</i>	<u>\$6,184</u>	<u>\$59,050</u>	<u>\$1,352</u>	<u>\$66,586</u>

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

**OLIVE TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 the Olive Township, Noble County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Caldwell Volunteer Fire Company to provide fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk 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 values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund 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:

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**OLIVE TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting Township's programs (for the benefit of the Township or its citizenry). The Township had the following significant permanent fund:

Permanent Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

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:

**OLIVE TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

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.

**OLIVE TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Change in Accounting Principle

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	\$105,156	\$65,234
Certificates of deposit	1,352	1,352
Total deposits	\$106,508	\$66,586

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,861	\$32,583	\$5,722
Special Revenue	167,090	203,680	36,590
Permanent	4	1	(3)
Total	\$193,955	\$236,264	\$42,309

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,010	\$38,021	(\$5,011)
Special Revenue	215,934	158,320	57,614
Permanent	4	1	3
Total	\$248,948	\$196,342	\$52,606

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,888	\$42,587	\$7,699
Special Revenue	167,420	177,841	10,421
Permanent	45	4	(41)
Total	\$202,353	\$220,432	\$18,079

**OLIVE TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,191	\$41,087	(\$1,896)
Special Revenue	201,606	164,763	36,843
Permanent	49	8	41
Total	\$240,846	\$205,858	\$34,988

5. 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.

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

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

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

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.

**OLIVE TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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, 2011 and 2010 (the latest information available).

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

**OLIVE TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$3,323	\$3,001

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.

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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
Noble County
84 Jefferson Road
Caldwell, Ohio 43724

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, Noble County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, the related notes to the financial statements and have issued our report thereon dated June 19, 2013, wherein we noted wherein we noted the Township followed accounting financial reporting provisions of Ohio Rev. Code Section 117.38 and the Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We also noted the Township has adopted Governmental Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

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

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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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. We consider findings 2012-002 through 2012-004 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 2012-001 through 2012-003.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 19, 2013

**OLIVE TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

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

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

2. Blanket Certificate – Fiscal officers may prepare so-called "blanket" certificates against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year.
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. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to purchase commitment for seven percent of the expenditures tested in 2011 and seventeen percent of the expenditures tested in 2012 and there was no evidence the Township followed the aforementioned exceptions. In addition, the Township used then and now certificates for eighty-seven percent of expenditures tested in 2011 and seventy-five percent of expenditures tested in 2012 with no approval documented in the minutes. "Then and now" certificates are to be used when prior certification is not possible and not as a normal method of encumbering. Further we found "then and now" certificates were carried forward from 2011 to 2012 and from 2012 to 2013. "Then and now" certificates are to be used for the payment that did not have the proper certification at the time the commitment was made. We also noted the Township used blanket certificates but no threshold was established.

**OLIVE TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-001 (Continued)

Noncompliance Citation (Continued)

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 the Fiscal Officer certify that 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 Township certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. We also recommend the Township establish a threshold for blanket certificates that may not be exceeded if they wish to begin issuing regular blanket certificates. In addition, we also recommend the Fiscal Officer use "then and now" certificates only when the need arises and not carry them forward to the following year.

FINDING NUMBER 2012-002

Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 5705.10 states all revenue derived from a source other than the general property tax and which the law prescribes, shall be used for a particular purpose is to be paid into a special fund for such purpose.

Further Auditor of State Bulletin 98-013 discusses the proper accounting treatment for grants received from the Federal Emergency Management Agency. The following are some general guidelines for handling FEMA money:

- A. When no work has been completed at the time a check is received, your entity must:
 1. Place all funds into a special FEMA fund,
 2. Pay bills directly from the FEMA fund keeping in mind that the FEMA fund pays the federal share of each Damage Survey Report (DSR), that is 75% (federal) of the 100% total. The remaining 25% state/local match of any bills may be paid out of the general fund or other non-federal fund that permits expenditures for this purpose. When the state share is received, the state money may be receipted directly into the fund(s) from which the original payment(s) were made. As an alternative, if you wish to keep all expenditures related to the project in one fund, money may be advanced to the FEMA fund and repaid when the state share is received. The Auditor of State recommends that all project expenditures be maintained in one fund.

**OLIVE TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-002 (Continued)

Material Weakness/Noncompliance Citation (Continued)

- B. When a portion or all of the work has been completed and paid for at the time the FEMA money is received, your entity must:
1. Place all funds into a special FEMA fund,
 2. For work completed and paid for, reimburse the fund(s) used to pay for the goods and/or services (before the FEMA money was received). One way to repay the fund is to reduce the expenditure in the fund making the original payment and to record the expenditure in the FEMA fund. A second method is to have advanced money to the FEMA fund in anticipation of the receipt of the grant. Repay the advance once the FEMA money is received. A third approach is to transfer the FEMA money from the FEMA fund to the fund that made the original payments. A final alternative to repay from the FEMA fund is to create a bill from the fund that made the original payment to the FEMA fund. The bill should identify the invoice(s) that were previously paid and show the portion(s) that are being charged to the FEMA fund. This method is most useful when the original expenditures were made in one year and receipt of the FEMA money didn't occur until the following year.

During 2012 the Township received \$14,079 in FEMA funds. The Fiscal Officer placed \$14,079 of the FEMA Funds into the Gasoline Tax Fund. These funds should have been placed into a special FEMA fund and then the Township should have followed steps A and B of AOS Bulletin 98-013 above to expend the monies out of the FEMA fund. This caused significant reclassifications and adjustments to the financial statements with which the Board of Trustees has agreed to and are reflected in the financial statements.

We recommend the Township review Auditor of State Bulletin 98-013 concerning the proper accounting treatment for grants that are received from the Federal Emergency Management Agency.

FINDING NUMBER 2012-003

Material Weakness/Noncompliance Citation

Ohio Admin. Code 117-2-02(A) states that all local public offices shall 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03.

During 2012 the Fiscal Officer posted certain transactions incorrectly as follows:

- Permissive motor vehicle license tax monies of \$2,987 were posted to taxes instead of intergovernmental;
- Homestead and rollback monies of \$2,317 in the General Fund and \$5,632 in the Road and Bridge Fund were posted to taxes instead of intergovernmental;
- Tangible personal property tax reimbursement monies of \$3,760 in the General fund and \$15,026 in the Road and Bridge Fund were posted to taxes instead of intergovernmental;

**OLIVE TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-003 (Continued)

Material Weakness/Noncompliance Citation (Continued)

- FEMA monies of \$5,853 were posted to the General Fund other financing sources instead of to the FEMA Fund intergovernmental;
- FEMA monies of \$8,226 were posted to the Gasoline Tax Fund other financing sources instead of the FEMA Fund intergovernmental; and
- FEMA monies of \$1,163 in the Gasoline Tax were posted to other financing sources instead of intergovernmental.

During 2012 the Fiscal Officer posted certain transactions incorrectly as follows:

- Permissive motor vehicle license tax monies of \$2,961 were posted to taxes instead of intergovernmental;
- Homestead and rollback monies of \$2,370 in the General Fund and \$5,913 in the Road and Bridge Fund were posted to taxes instead of intergovernmental;
- Tangible personal property tax reimbursement monies of \$4,195 in the General Fund and \$16,758 in the Road and Bridge Fund were posted to taxes instead of intergovernmental; and
- A principal debt payment of \$3,555 in the Road and Bridge Fund was posted to capital outlay instead of principle retirement.

These errors were due to a lack of management oversight. As a result, these significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements.

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

FINDING NUMBER 2012-004

Material Weakness

All local public offices should 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.

Estimated revenue as approved by the County Budget Commission did not agree to the Township's ledgers for the following funds:

**OLIVE TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-004 (Continued)

Material Weakness (Continued)

Year	Fund	Estimated Revenue per Budget Commission	Estimated Revenue per UAN system	Variance
2012	General	\$26,861	\$42,588	(\$15,727)
	Road and Bridge	53,000	73,995	(20,995)
	Cemetery	1,250	500	750
	Permissive MVL Tax	13,500	2,961	10,539
2011	General	34,888	31,720	3,168

Appropriations as approved by the Board of Township Trustees did not agree to the Township's ledgers for the following funds:

Year	Fund	Appropriations per Board of Trustees	Appropriations per UAN system	Variance
2012	General	\$33,010	\$38,178	(\$5,168)
	Cemetery	15	2,000	(1,985)
2011	General	39,191	44,260	(5,069)
	Motor Vehicle License Tax	16,534	17,087	(553)
	Gasoline Tax	101,939	106,495	(4,556)

We also noted several line items (legal level of control) in 2011 and 2012 for the funds noted above where appropriations as approved by the Board of Trustees did not agree to the amounts posted to the Township's ledgers which resulted in the variances noted above at the fund level. Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year.

We recommend the Fiscal Officer accurately post appropriations as approved by the Board of Township Trustees and estimated revenue as approved by the County Budget Commission into the computer system after receiving Board approval. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year. We recommend the Board of Trustees approve supplemental appropriations and certify them to the County Auditor. Any supplemental appropriations approved by the Board of Trustees should be documented in the official minute record. The budgetary note disclosure amounts were adjusted to the amounts passed by the legislative authority.

Official's Response: Management provided no response to the Findings noted herein.

**OLIVE TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	A material noncompliance was issued under Ohio Rev. Code Section 5705.41(D)(1) for 84% of expenditures tested in 2009 and for 89% of expenditures tested in 2010 not being properly encumbered.	No	Reissued as Finding Number 2012-001.
2010-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations during 2009.	Yes	Corrected
2010-003	A material noncompliance was issued under Ohio Rev. Code Section 5705.10 for the Township not posting Issue II monies to the ledgers nor budgeting for the monies as well.	No	Reissued as Finding Number 2012-002.
2010-004	A material weakness was issued for estimated resources and appropriations not properly posted to the Township's UAN system for 2009 and 2010.	No	Reissued as Finding Number 2012-004.



Dave Yost • Auditor of State

OLIVE TOWNSHIP

NOBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 9, 2013**