



Dave Yost • Auditor of State



OLMSTED TOWNSHIP  
CUYAHOGA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Olmsted Township  
Cuyahoga County  
26900 Cook Road  
Olmsted Township, Ohio 44138

To the Board of Trustees:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Olmsted Township, Cuyahoga County, (the Township) as of and for the years ended December 31, 2015 and 2014.

### ***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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and 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 opinions.

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2015 and 2014, 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 Olmsted Township, Cuyahoga County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, 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.

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

December 7, 2016

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**Olmsted Township**  
*Cuyahoga County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2015*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$1,857,277	\$2,592,352	\$0	\$4,449,629
Charges for Services	663,653	234,029	0	897,682
Licenses, Permits and Fees	282,443	2,687	0	285,130
Fines and Forfeitures	0	1,154	0	1,154
Intergovernmental	281,980	1,263,030	0	1,545,010
Earnings on Investments	2,681	38	0	2,719
Miscellaneous	41,662	56,271	0	97,933
<i>Total Cash Receipts</i>	<u>3,129,696</u>	<u>4,149,561</u>	<u>0</u>	<u>7,279,257</u>
<b>Cash Disbursements</b>				
Current:				
General Government	665,187	74,021	0	739,208
Public Safety	0	3,218,709	0	3,218,709
Public Works	842,668	910,850	0	1,753,518
Health	55,323	54,536	0	109,859
Conservation-Recreation	0	15,000	0	15,000
Capital Outlay	155,978	82,828	0	238,806
Debt Service:				
Principal Retirement	170,000	0	0	170,000
Interest and Fiscal Charges	35,863	0	0	35,863
<i>Total Cash Disbursements</i>	<u>1,925,019</u>	<u>4,355,944</u>	<u>0</u>	<u>6,280,963</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,204,677</u>	<u>(206,383)</u>	<u>0</u>	<u>998,294</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		377,500	0	377,500
Transfers Out	(377,500)	0	0	(377,500)
Advances In	50,000	50,000	0	100,000
Advances Out	(50,000)	(50,000)	0	(100,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(377,500)</u>	<u>377,500</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	827,177	171,117	0	998,294
<i>Fund Cash Balances, January 1</i>	<u>1,309,484</u>	<u>932,614</u>	<u>4,012</u>	<u>2,246,110</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	1,103,731	0	1,103,731
Committed	0	0	4,012	4,012
Unassigned (Deficit)	2,136,661	0	0	2,136,661
<i>Fund Cash Balances, December 31</i>	<u>\$2,136,661</u>	<u>\$1,103,731</u>	<u>\$4,012</u>	<u>\$3,244,404</u>

**Olmsted Township**

Cuyahoga County, Ohio

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2014

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$795,903	\$2,721,353	\$0	\$3,517,256
Charges for Services	672,316	194,387	0	866,703
Licenses, Permits and Fees	319,740	1,056	0	320,796
Fines and Forfeitures	0	3,442	0	3,442
Intergovernmental	393,854	967,628	0	1,361,482
Earnings on Investments	895	45	0	940
Miscellaneous	13,041	58,412	0	71,453
<i>Total Cash Receipts</i>	<u>2,195,749</u>	<u>3,946,323</u>	<u>0</u>	<u>6,142,072</u>
<b>Cash Disbursements</b>				
Current:				
General Government	796,023	83,274	0	879,297
Public Safety	19,992	3,305,425	0	3,325,417
Public Works	625,719	865,219	0	1,490,938
Health	0	51,331	0	51,331
Conservation-Recreation	0	4,000	0	4,000
Capital Outlay	94,382	156,896	0	251,278
Debt Service:				
Principal Retirement	127,500	0	0	127,500
Interest and Fiscal Charges	64,533	0	0	64,533
<i>Total Cash Disbursements</i>	<u>1,728,149</u>	<u>4,466,145</u>	<u>0</u>	<u>6,194,294</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>467,600</u>	<u>(519,822)</u>	<u>0</u>	<u>(52,222)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		428,633	0	428,633
Transfers Out	(428,633)	0	0	(428,633)
Bond Proceeds	1,820,000	0	0	1,820,000
Premium on Refunded Bond	5,565	0	0	5,565
Payment to Refunded Bond Escrow Agent	(1,766,265)	0	0	(1,766,265)
Bond Issuance Cost	(59,300)	0	0	(59,300)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(428,633)</u>	<u>428,633</u>	<u>0</u>	<u>0</u>
Special Item	2,269	0	0	2,269
<i>Net Change in Fund Cash Balances</i>	<u>41,236</u>	<u>(91,189)</u>	<u>0</u>	<u>(49,953)</u>
<i>Fund Cash Balances, January 1 (Restated-See Note 2)</i>	<u>1,268,248</u>	<u>1,023,803</u>	<u>4,012</u>	<u>2,296,063</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	932,614	0	932,614
Committed	0	0	4,012	4,012
Unassigned (Deficit)	1,309,484	0	0	1,309,484
<i>Fund Cash Balances, December 31</i>	<u>\$1,309,484</u>	<u>\$932,614</u>	<u>\$4,012</u>	<u>\$2,246,110</u>

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 Olmsted Township, Cuyahoga 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, police protection, fire protection and emergency medical services.

The Township participates in four jointly governed organizations and a public entity risk pool. Notes 8 and 10 to the financial statements provide additional information for these entities. These organizations are:

- Ohio Government Risk Management Plan
- Southwest Council of Governments
- Chestnut Grove Union Cemetery
- Olmsted Joint Economic Development District
- Northeast Ohio Public Energy Council

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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:

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**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.

Ambulance and Emergency Medical Services Fund - This fund receives fees for providing emergency medical services to Township residents.

Fire District Fund - This fund receives property tax money for providing fire protection services to Township citizens.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had no significant capital project funds.

**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.

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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 required by Ohio law.

A summary of 2015 and 2014 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:

**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.

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance**

**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. RESTATEMENT OF PRIOR YEAR'S BEGINNING CASH BALANCE**

During 2014, the Township voided various outstanding warrants that existed prior to 2010. The transactions had the following effect on the beginning January 1, 2014 cash balances:

	General Fund	Special Revenue Funds
Beginning Cash Balance January 1, 2014:	\$1,249,260	\$1,004,650
Restatement	\$ 18,988	\$ 19,153
Restated Beginning Balance January 1, 2014	\$1,268,248	\$1,023,803

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2015	2014
Demand deposits	\$2,429,769	\$1,432,384
Total deposits	2,429,769	1,432,384
STAR Ohio		
Total investments	814,635	813,726
Total deposits and investments	\$3,244,404	\$2,246,110

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 are as follows:

**2015 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,179,478	\$3,179,695	\$217
Special Revenue	4,457,363	4,577,061	119,698
Total	\$7,636,841	\$7,756,756	\$119,915

**2015 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,849,814	\$2,399,006	\$1,450,808
Special Revenue	4,746,020	4,450,365	295,655
Total	\$8,595,834	\$6,849,371	\$1,746,463

**2014 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,182,348	\$2,198,019	\$15,671
Special Revenue	4,353,936	4,374,957	21,021
Total	\$6,536,284	\$6,572,976	\$36,692

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,070,492	\$2,156,783	\$913,709
Special Revenue	4,782,343	4,466,146	316,197
Total	\$7,852,835	\$6,622,929	\$1,229,906

**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.

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

**6. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$1,640,000	5%
Capital Lease Obligation	152,880	
Total	\$1,792,880	

During 2014, the Township issued general obligation refunding bonds to finance the 2004 General Obligation Building Improvement Bonds.

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

Year ending December 31:	Refunding	
	Bonds	Capital Lease
2016	\$205,012	\$50,960
2017	202,462	50,960
2018	199,912	50,960
2019	206,512	
2020	202,912	
2021-2024	820,827	
Total	\$1,837,637	\$152,880



**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. DEBT (Continued)**

In addition to the debt described above, the Township has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2015 was \$1,640,000. This disclosure does not include the related defeased debt or assets, since trustee assets should provide sufficient resources to retire the debt.

**7. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). All other employees, inclusive of the full-time Police Officers, belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed the following amount of their wages; for July 1, 2013 to June 30, 2014, 10.75%; for the period July 1, 2014 to June 30, 2015, 11.5%; and for the period July 1, 2015 to June 30, 2016, 12.25%. For 2015 and 2014, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2015 and 2014, OPERS Law Enforcement members contributed 13% of their gross salaries and the Township contributed an amount equaling 18.1% of participants' gross salaries. For 2015 and 2014, OPERS local employee members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salary. The Township has paid all contributions required through December 31, 2015.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

There have been no significant changes in coverage from the prior year.

**Risk Pool Membership**

The Township is a member of the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised code the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the Plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amount did not exceed insurance coverage for the past three fiscal years.

The Pool audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and equity at December 31, 2015 and 2014 (the latest information available).

	2015	2014
Cash and investments	\$14,643,667	\$14,830,185
Actuarial liabilities	(\$9,112,030)	(\$8,942,504)
Member's Equity	\$ 5,531,637	\$ 5,887,681

**9. CONTINGENT LIABILITIES**

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

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.

**10. RELATED ORGANIZATIONS**

**A. Southwest Council of Governments**

The Southwest Council of Governments (the Council) helps foster cooperation between municipalities/townships in the areas affecting health, safety, welfare, education, economic condition and regional development. The Board is comprised of one member from each of the sixteen participating communities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Each member's degree of control is limited to its representation on the Board. The Township contributed \$15,000 in both 2015 and 2014.

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**10. RELATED ORGANIZATIONS (Continued)**

**A. Southwest Council of Governments (Continued)**

The Council has established two subsidiary organizations, the Hazardous Materials Response Team ("HAZ MAT"), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance in the form of Special Weapons and Tactics Team ("SWAT Team"). The Council's financial statements may be obtained by contacting the Southwest Council of Governments in Parma Heights.

**B. Chestnut Grove Union Cemetery**

The Chestnut Grove Union Cemetery (the Cemetery) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Cemetery provides burial grounds and burial services to the public. The Cemetery is a jointly governed organization between Olmsted Township and the City of Olmsted Falls.

A Joint Council consisting of the Trustees of Olmsted Township and the Council members of the City of Olmsted Falls governs the Cemetery. The Joint Council elects and appoints the members of the Board of Trustees. The Board of Trustees consist of the following: one elected member of the legislative body from each of the political subdivisions, and one appointed resident from either political subdivision who is not a member of the legislative body.

The Joint Council exercises control over the operations through budgeting, appropriating, and contracting. The Board of Trustees control day to day operations of the Cemetery. During 2015 and 2014, the Township contributed \$54,537 and \$54,331, respectively to the Cemetery.

**C. Northeast Ohio Public Energy Council**

The Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is current comprised of 174 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each community. The representatives from each county then select one person to serve on the eight-member Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly. In 2015 and 2014 the Township made no contributions. Financial Information for NOPEC can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**10. RELATED ORGANIZATIONS (Continued)**

**D. Joint Economic Development District**

Olmsted Township and the City of Olmsted Falls, in an effort to promote economic growth and economic development, and in accordance with state law, entered into a contract to create the Olmsted Joint Economic Development District (JEDD). The legislative authorities of the City and Township each authorized and directed authorization to enter into a contract for the JEDD. The JEDD was incorporated on September 7, 2001 and JEDD operations initiated on December 15, 2001.

A Board of Directors governs the JEDD. The Board is composed of the following members: (a) one member representing the City, appointed by the Mayor and approved by City Council; (b) one member representing the Township, appointed by the Township Trustees; and (c) one member selected by the two members listed. The Board exercises control over the operations of the JEDD through budgeting, appropriations, contracting and designation management. The control by the City and Township is limited to the representation on the board. The Township did not make any contributions to the JEDD in 2015 or 2014.



# 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

Olmsted Township  
Cuyahoga County  
26900 Cook Road  
Olmsted Township, Ohio 44138

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of Olmsted Township, Cuyahoga County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2016, wherein we noted the Township followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 finding 2015-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-001 described in the accompanying schedule of findings to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***Township'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

December 7, 2016

OLMSTED TOWNSHIP  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2015 AND 2014

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

1. Proper Encumbering

<i>Finding Number</i>	2015-001
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NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Rev. Code Section 5705.41(D), provides that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached a certificate of the fiscal officer certifying 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 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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**"Then and Now" Certificate** – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time 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 Board of Trustees has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority 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 one particular line item appropriation.

**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 extended beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2015 AND 2014**

Twenty two of fifty-one invoices (43%) were entered into prior to receiving the Fiscal Officer's certification. Although purchase orders were certified by the Fiscal Officer after the fact, invoices received before a purchase order is prepared precludes the Fiscal Officer from certifying funds are available before the expenditure is made.

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 following the aforementioned guidelines.

We recommend the Township certify expenditures to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.10(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

**Official's Response:**

The Board of Trustees recognizes that proper prior certification by the Fiscal Officer for all purchases is a key control in the disbursement process. We will work with the current Fiscal Officer to create written procedures for Township purchases. Proper use of Super Blanket Certificates, Blanket Certificates, Regular Purchase Order and "Then and Now" Purchase Orders will be documented in the procedures. Additionally, the Fiscal Officer will train each department in Q1 of 2017. While the Board cannot physically perform the certification task, we are committed to ensuring that moving forward, the Fiscal Officer does make that affirmation when appropriate.



OLMSTED TOWNSHIP  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2015 AND 2014

2. Financial Reporting

<i>Finding Number</i>	2015-002
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MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the Fiscal Officer and the Township Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Uniform Accounting Network (UAN) provides a structure in which to post receipts and expenditures. In addition, for receipts, there are various source documents, including remittance advices from Cuyahoga County and bond counsel, which provide support to aid in the posting of various receipts.

In 2014, the following activity was improperly recorded, and where applicable, adjustments to the financial statements and UAN system were made by the fiscal officer:

- \$202,806 of Homestead and Rollback receipts was posted as Property Taxes instead of Intergovernmental receipts;
- The Township did not record the receipt of refunding bonds issuance totaling \$1,820,000 nor did it record the retirement of old bonds and the cost associated with the bond issuance;

In 2015, the following activity was improperly recorded, and where applicable, adjustments to the financial statements and UAN system were made by the fiscal officer:

- \$76,641 of Homestead and Rollback receipts were posted as Property Taxes instead of Intergovernmental receipts;

Failure to properly record receipts and disbursements in UAN could result in errors in the financial statements and inaccurate information being reported to the Board of Trustees and the Township residents.

The Township should evaluate its methods for the processing of receipts and expenditures. The Township should post receipts and expenditures to the proper funds and line items within each fund. The receipt postings should be accurate and complete in accordance with the revenue's purpose. The Township should also ensure all activity of the Township is recorded in the UAN.

**Official's Response:**

The Board of Trustees recognizes that sound financial reporting is essential to the Township and readers of the financial statements. Our goal was to have the Fiscal Officer keep up to date on the financial status of the Township, as well as the forecast to ensure long-term fiscal soundness of the Township. The Fiscal Officer will attend training each year and will reach out to other Fiscal Officers about best practices for receipts and disbursements. Proper recording of the Homestead and Rollback receipts will be corrected going forward. Additionally, any bond issues or retirements will be grossed up as opposed to netted down in the financial records in the future.

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**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Proper Encumbering- Township did not properly certify availability of funds in accordance with ORC 5705.41(D)	Not Corrected	Repeated as Finding 2015-001
2013-002	Financial Reporting- Township misclassified several receipt and did not properly record information related to grants in UAN.	Not Corrected	Repeated as Finding 2015-002

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# Dave Yost • Auditor of State

OLMSTED TOWNSHIP

CUYAHOGA 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  
DECEMBER 20, 2016