



Dave Yost • Auditor of State



MEAD TOWNSHIP  
BELMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings.....	23

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# Dave Yost • Auditor of State

Mead Township  
Belmont County  
59300 Lockwood Run Road  
Shadyside, Ohio 43947

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

April 15, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Mead Township  
Belmont County  
59300 Lockwood Run Road  
Shadyside, Ohio 43947

To the Board of Trustees:

We have audited the accompanying financial statements of Mead Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the fourth and fifth following paragraphs.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010, or its changes in financial position for the years then ended.

During 2010 and 2009, the Township improperly paid health insurance benefits for the Fiscal Officer from the Road and Bridge Fund in the total amount of \$8,345 that should have been paid from the General Fund. There was also a prior year adjustment that was not posted to the financial statements for the same reason in the amount of \$24,499, which was carried forward in the current audit period. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

Had the posting errors noted in the preceding paragraph been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have been decreased by \$32,844 and the Road and Bridge Fund (Special Revenue Fund Type) cash fund balance would have increased by \$32,844.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the General Fund and Special Revenue Fund Types of Mead Township, Belmont County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Debt Service and Capital Projects Fund Types of Mead Township, Belmont County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

April 15, 2011



**MEAD TOWNSHIP  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$37,924	\$196,558			\$234,482
Intergovernmental	84,226	200,468			284,694
Earnings on Investments	122	17			139
Miscellaneous	4,382	46,399			50,781
<b>Total Cash Receipts</b>	<u>126,654</u>	<u>443,442</u>	<u>\$0</u>	<u>\$0</u>	<u>570,096</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	41,572	7,502			49,074
Public Safety	500	27,445			27,945
Public Works	8,898	322,070			330,968
Health	25,181				25,181
Human Services	24,999	35,753			60,752
Capital Outlay		103,417		5	103,422
Debt Service:					
Redemption of Principal	8,939				8,939
Interest and Other Fiscal Charges	1,748				1,748
<b>Total Cash Disbursements</b>	<u>111,837</u>	<u>496,187</u>	<u>0</u>	<u>5</u>	<u>608,029</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>14,817</u>	<u>(52,745)</u>	<u>0</u>	<u>(5)</u>	<u>(37,933)</u>
<b>Other Financing Receipts:</b>					
Other Debt Proceeds		62,547			62,547
<b>Total Other Financing Receipts</b>	<u>0</u>	<u>62,547</u>	<u>0</u>	<u>0</u>	<u>62,547</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements</b>	<u>14,817</u>	<u>9,802</u>	<u>0</u>	<u>(5)</u>	<u>24,614</u>
<b>Fund Cash Balances, January 1</b>	<u>10,609</u>	<u>116,799</u>	<u>53</u>	<u>40</u>	<u>127,501</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$25,426</b></u>	<u><b>\$126,601</b></u>	<u><b>\$53</b></u>	<u><b>\$35</b></u>	<u><b>\$152,115</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$679</b></u>	<u><b>\$3,925</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$4,604</b></u>

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

**MEAD TOWNSHIP  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$36,923	\$188,155			\$225,078
Intergovernmental	64,525	197,398			261,923
Earnings on Investments	180	37			217
Miscellaneous	1,234				1,234
	<u>102,862</u>	<u>385,590</u>	<u>\$0</u>	<u>\$0</u>	<u>488,452</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	56,721	1,952			58,673
Public Safety		18,357			18,357
Public Works	8,174	250,627			258,801
Health	25,039				25,039
Human Services	12,000	62,631			74,631
Capital Outlay		14,817			14,817
Debt Service:					
Redemption of Principal	8,429				8,429
Interest and Other Fiscal Charges	2,258				2,258
	<u>112,621</u>	<u>348,384</u>	<u>0</u>	<u>0</u>	<u>461,005</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(9,759)	37,206	0	0	27,447
Fund Cash Balances, January 1	20,368	79,593	53	40	100,054
<b>Fund Cash Balances, December 31</b>	<u><b>\$10,609</b></u>	<u><b>\$116,799</b></u>	<u><b>\$53</b></u>	<u><b>\$40</b></u>	<u><b>\$127,501</b></u>
Reserve for Encumbrances, December 31	<u>\$410</u>	<u>\$2,700</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,110</u>

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

**MEAD TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 Mead Township, Belmont 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 Village of Shadyside Volunteer Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. Note 8 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. 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

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

**MEAD TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**3. Debt Service Fund**

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township's Debt Service Fund had no receipt or disbursement activity for the years ended December 31, 2010 and 2009.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township's Capital Projects Funds had no receipt activity and a disbursement of \$5 for the year ended December 31, 2010 and no receipt or disbursement activity for the year ended December 31, 2009.

**D. 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. 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 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. 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.

**F. 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:

	2010	2009
Demand deposits	\$152,115	\$127,501

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009, follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$115,406	\$126,654	\$11,248
Special Revenue	401,028	505,989	104,961
Total	\$516,434	\$632,643	\$116,209

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$118,988	\$112,516	\$6,472
Special Revenue	449,937	500,112	(50,175)
Debt Service	53		53
Capital Projects	40	5	35
Total	\$569,018	\$612,633	(\$43,615)

**MEAD TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,832	\$102,862	(\$4,970)
Special Revenue	362,328	385,590	23,262
Total	\$470,160	\$488,452	\$18,292

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,452	\$113,031	\$7,421
Special Revenue	404,943	351,084	53,859
Debt Service	53		53
Capital Projects	40		40
Total	\$525,488	\$464,115	\$61,373

**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.

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.

**5. Debt**

Debt outstanding at December 31, 2010, was as follows:

	Principal	Interest Rate
Lease-Purchase Agreement	\$24,787	5.89%
Ohio Department of Transportation (ODOT) Loan	62,547	0%
Total	\$87,334	

**MEAD TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. Debt (Continued)**

The lease-purchase agreement relates to the financing of a tractor and mower for the maintenance of Township roads. The lease is payable in monthly installments at an annual percentage rate of 5.89%, with final payment due June 29, 2013. The lease is supported by the full faith and credit of the Township and is payable from local government equipment receipts.

The Ohio Department of Transportation Loan is an obligation the Township incurred for expenses while repairing a Township road. The repayment is supported by an agreement between the Ohio Department of Transportation and the Township, and is payable from property tax receipts.

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

Year ending December 31:	Lease- Purchase Agreement	ODOT Loan
2011	\$10,687	\$6,257
2012	10,687	11,258
2013	5,343	11,258
2014		11,258
2015		11,258
2016-2020		11,258
Total	<u>\$26,717</u>	<u>\$62,547</u>

**6. Other Liability**

During 2010, the Mead Township Park District was approved for a line of credit in the amount of \$125,000. The Mead Township Trustees signed the loan for the Park District. The Ohio Department of Natural Resources (ODNR) approved a grant for \$106,000, which will be applied to the line of credit. Once all grant money has been applied, the Township Trustees will be released from the obligation.

**7. 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 plans' benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

**8. 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.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. 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, 2009, 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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$12,000.

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.



**MEAD TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. Risk Management (Continued)**

<b><u>Contributions to OTARMA</u></b>	
<b><u>2008</u></b>	\$10,801
<b><u>2009</u></b>	\$9,675
<b><u>2010</u></b>	\$10,901

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.

**9. 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 ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Mead Township  
Belmont County  
59300 Lockwood Run Road  
Shadyside, Ohio 43947

To the Board of Trustees:

We have audited the financial statements of Mead Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 15, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also issued an adverse opinion on the 2010 and 2009 financial statements of the General and Special Revenue Fund Types due to the Township declining to make adjustments related to this audit period and from the prior audit period. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2010-001 described in the accompanying Schedule of Findings to be a material weakness.

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 2010-003 through 2010-005 described in the accompanying Schedule of Findings to be significant deficiencies.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2010-001 through 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 15, 2011.

We intend this report solely for the information and use of management, the audit committee, Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

April 15, 2011

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001**

**Finding for Adjustment and Material Weakness**

Ohio Rev. Code Section 507.09 sets forth a township fiscal officer's compensation.

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

As the township fiscal officer's duties are administrative in nature, the township fiscal officer's salary and benefits should therefore be paid from the Township's General Fund.

During 2010, the Township paid \$1,107 of the Fiscal Officer's health insurance benefits from the Road and Bridge Fund. During 2009, the Township paid \$7,238 of the Fiscal Officer's health insurance benefits from the Road and Bridge Fund.

As a result of the foregoing facts, a finding for adjustment is hereby issued against the Township's General Fund in the amount of \$8,345 and in favor of the Road and Bridge Fund in the amount of \$8,345.

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 pay all of the Fiscal Officer's future salary and benefits from the Township's General Fund.

**FINDING NUMBER 2010-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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:

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-002  
(Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

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 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 encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township 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.

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

Although the obligations paid by the Township had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 50% and 47% of transactions tested for 2010 and 2009, respectively, and there was no evidence of a “Then and Now” certificate being utilized. In addition, the Township Trustees did not establish by resolution an amount that blanket certificates could not exceed.

Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

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 obligations being incurred by the Township. When prior certification is not possible, “then and now” certificates should be used.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-002  
(Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation. In addition, the Township Trustees should annually adopt a resolution to indicate an amount that blanket certificates cannot exceed.

**FINDING NUMBER 2010-003**

**Noncompliance Citation and Significant Deficiency**

Ohio Admin. Code Section 117-2-02(A) provides 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, document compliance with finance-related legal and contractual requirements and prepare financial statements. Furthermore, the Auditor of State provided, through Auditor of State Bulletins 2000-008 and 2002-004, the recommended accounting treatment for on behalf of grants and loans.

Ohio Rev. Code Section 5705.40 states that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

Ohio Rev. Code Section 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting such excess.

During 2010, the Township did not record the receipt of or incurrence of an obligation regarding repairs on a Township road completed by the Ohio Department of Transportation on behalf of the Township on the accounting records or financial statements in the amount of \$62,547. The Fiscal Officer did not amend estimated revenues for these on behalf of monies received in 2010. The Township Trustees did not amend the appropriations for the project expenditures of this money.

Adjustments with which the Township officials' agree are reflected within the accompanying financial statements.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-003  
(Continued)**

**Noncompliance Citation and Significant Deficiency (Continued)**

We recommend the Township refer to Auditor of State Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for all funding expended directly to contractors on behalf of the Township. We further recommend the Township follow the budgetary scheme of Chapter 5705 of the Revised Code and monitor appropriations, amending them as appropriate to record these funds.

**FINDING NUMBER 2010-004**

**Significant Deficiency**

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, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised February 2010) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2010 and 2009, the Township did not always post receipts into accurate classifications, based upon the source of the receipt. For example, in 2010 and 2009, public utility deregulation reimbursement and personal property replacement revenue in the amount of \$50,558 and \$86,219, respectively, was posted as Property Taxes instead of Intergovernmental.

Material adjustments with which the Township officials' agree are reflected within the accompanying financial statements.

We recommend the Township utilize available authoritative resources to appropriately classify receipt transactions.

**FINDING NUMBER 2010-005**

**Significant Deficiency**

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.



**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-005  
(Continued)**

**Significant Deficiency (Continued)**

The Fiscal Officer did not post budgeted receipts, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system throughout the year. The following table details these variances:

<b>2010</b>			
<u>Fund</u>	<u>Amount per Last Amended Certificate</u>	<u>Amount Posted to the Accounting System</u>	<u>Variance</u>
General	\$115,406	\$117,875	\$2,469
Motor Vehicle License Tax	19,525	20,025	500
Gasoline Tax	86,125	86,200	75
Road and Bridge	265,981	254,000	(11,981)
Fire District	29,397	33,000	3,603
<b>2009</b>			
General	\$107,832	\$116,000	\$8,168
Motor Vehicle License Tax	19,500	19,600	100
Gasoline Tax	86,450	86,800	350
Road and Bridge	227,531	265,050	37,519
Fire District	28,847	33,050	4,203

The Fiscal Officer did not accurately post appropriations to the accounting system. Variances existed between the appropriation resolution and the amounts posted to the accounting system. The following table details these variances:

<b>2010</b>			
<u>Fund</u>	<u>Approved Appropriations</u>	<u>Amount Posted to the Accounting System</u>	<u>Variance</u>
Gasoline Tax	\$105,000	\$125,000	(\$20,000)
Road and Bridge	278,810	318,810	(40,000)
<b>2009</b>			
General	\$119,578	\$120,578	(\$1,000)

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2010-005  
(Continued)**

**Significant Deficiency (Continued)**

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Township Trustees and only include budgeted receipts as certified by the County Auditor.

We recommend the Township Trustees approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should post these amendments only after the required approvals have been obtained. We also recommend the Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto.

**Officials' Response:** We did not receive a response from officials to the findings reported above.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Finding for Adjustment and Material Weakness - Ohio Rev. Code Sections 505.24(C), 507.09, and 5705.10(H) regarding Fiscal Officer's and Trustee's Health insurance being paid out of a fund other than the General Fund. Therefore, a finding for adjustment was issued against the General Fund, in the amount of \$24,499, and in favor of the Road and Bridge Fund.	No	As noted in the current year <i>Independent Accountants' Report</i> the Township has not repaid the finding for adjustment and the same situation occurred in the current audit period. See Finding No. 2010-001.
2008-002	Ohio Rev. Code Section 5705.39 - appropriations exceeded estimated resources in the Road & Bridge Fund.	Yes	N/A.
2008-003	Ohio Admin. Code Section 117-2-02(A) - not recording Issue II and Community Development Block Grant monies from Belmont County to the accounting records.	No	Not Corrected; Repeated as Finding No. 2010-003.
2008-004	Ohio Rev. Code Section 5705.41(B) - expenditures exceeded appropriations in several funds.	No	Not Corrected; however, variances were not significant, therefore, finding was issued in the management letter.
2008-005	Ohio Rev. Code Section 5705.41(D)(1) - not always obtaining certification of available funds prior to incurring obligations.	No	Not Corrected; Repeated as Finding No. 2010-002.
2008-006	Significant Deficiency - not recording various receipts into the proper account classifications.	No	Not Corrected; Repeated as Finding No. 2010-004.
2008-007	Material Weakness - not properly posting budgeted receipts and appropriations into the accounting system.	No	Not Corrected; Repeated as Finding No. 2010-005.

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# Dave Yost • Auditor of State

**MEAD TOWNSHIP**

**BELMONT 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  
MAY 5, 2011**