



Dave Yost • Auditor of State



**OLIVE TOWNSHIP  
NOBLE COUNTY**

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# Dave Yost • Auditor of State

Olive Township  
Noble County  
84 Jefferson Drive  
Caldwell, Ohio 43724

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

May 31, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Olive Township  
Noble County  
84 Jefferson Drive  
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the accompanying financial statements of Olive Township, Noble 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 second following paragraph.

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 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Olive Township, Noble County, 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 May 31, 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

May 31, 2011



**OLIVE TOWNSHIP  
NOBLE 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>Permanent</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$26,081	\$75,541		\$101,622
Intergovernmental	8,342	105,126		113,468
Earnings on Investments	60	48	\$6	114
Miscellaneous		804		804
Total Cash Receipts	<u>34,483</u>	<u>181,519</u>	<u>\$6</u>	<u>216,008</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	19,968	5,135		25,103
Public Safety	904			904
Public Works	4,623	139,110		143,733
Health	8,924	485		9,409
Purchased Services			4	4
Debt Service:				
Redemption of Principal		10,580		10,580
Interest and Other Fiscal Charges		889		889
Capital Outlay		7,000		7,000
Total Cash Disbursements	<u>34,419</u>	<u>163,199</u>	<u>4</u>	<u>197,622</u>
Total Cash Receipts Over/(Under) Cash Disbursements	64	18,320	2	18,386
<b>Other Financing Receipts and (Disbursements):</b>				
Other Financing Sources		5,213		5,213
Advances-In	4,350	10,750		15,100
Advances-Out	(4,350)	(10,750)		(15,100)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>5,213</u>	<u>0</u>	<u>5,213</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	64	23,533	2	23,599
Fund Cash Balances, January 1	<u>4,620</u>	<u>22,439</u>	<u>1,354</u>	<u>28,413</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$4,684</u></b>	<b><u>\$45,972</u></b>	<b><u>\$1,356</u></b>	<b><u>\$52,012</u></b>
Reserve for Encumbrances, December 31	<u>\$218</u>	<u>\$5,225</u>	<u>\$0</u>	<u>\$5,443</u>

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

**OLIVE TOWNSHIP  
NOBLE 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>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$23,314	\$68,751			\$92,065
Intergovernmental	13,348	112,609	\$70,478		196,435
Licenses, Permits and Fees		514			514
Earnings on Investments	462	174		\$19	655
Miscellaneous	25	329			354
	<u>37,149</u>	<u>182,377</u>	<u>70,478</u>	<u>19</u>	<u>290,023</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	26,525	5,026			31,551
Public Safety	904				904
Public Works	9,037	184,413	70,478		263,928
Health	7,839	780			8,619
Purchased Services				69	69
Miscellaneous		276			276
Debt Service:					
Redemption of Principal		8,558			8,558
Interest and Other Fiscal Charges		1,099			1,099
Capital Outlay	10,000	31,853			41,853
	<u>54,305</u>	<u>232,005</u>	<u>70,478</u>	<u>69</u>	<u>356,857</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(17,156)	(49,628)	0	(50)	(66,834)
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds from the Sale of Public Debt:					
Sale of Notes		32,009			32,009
Advances-In	1,000	2,000			3,000
Advances-Out	(2,000)	(1,000)			(3,000)
	<u>(1,000)</u>	<u>33,009</u>	<u>0</u>	<u>0</u>	<u>32,009</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(18,156)	(16,619)	0	(50)	(34,825)
Fund Cash Balances, January 1	22,776	39,058	0	1,404	63,238
<b>Fund Cash Balances, December 31</b>	<u><b>\$4,620</b></u>	<u><b>\$22,439</b></u>	<u><b>\$0</b></u>	<u><b>\$1,354</b></u>	<u><b>\$28,413</b></u>
Reserve for Encumbrances, December 31	<u>\$327</u>	<u>\$2,607</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,934</u>

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

**OLIVE TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 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 Olive Township, Noble County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Caldwell Volunteer Fire Company to provide fire protection services.

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

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

**B. Accounting Basis**

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

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

**C. 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:

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

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

**OLIVE TOWNSHIP  
NOBLE COUNTY**

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

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

**C. Fund Accounting (Continued)**

**3. Capital Projects Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Issue II Fund – The Township received a grant from the State of Ohio for a paving project in 2009.

**4. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

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

**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 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.

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

**OLIVE TOWNSHIP  
NOBLE 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.

**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	\$50,660	\$27,061
Certificates of deposit	1,352	1,352
Total deposits	\$52,012	\$28,413

**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	\$30,990	\$34,483	\$3,493
Special Revenue	174,260	186,732	12,472
Permanent	45	6	(39)
Total	\$205,295	\$221,221	\$15,926

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,768	\$34,637	\$4,131
Special Revenue	193,541	168,424	25,117
Permanent	47	4	43
Total	\$232,356	\$203,065	\$29,291

**OLIVE TOWNSHIP  
NOBLE 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	\$31,652	\$37,149	\$5,497
Special Revenue	168,899	214,386	45,487
Capital Projects	0	70,478	70,478
Permanent	45	19	(26)
Total	\$200,596	\$322,032	\$121,436

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,951	\$54,632	(\$1,681)
Special Revenue	206,980	234,612	(27,632)
Capital Projects	0	70,478	(70,478)
Permanent	97	69	28
Total	\$260,028	\$359,791	(\$99,763)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Road and Bridge Fund by \$41,344 and the Issue II Fund by \$70,478 for the year ended December 31, 2009 and expenditures exceeded appropriation authority at the legal level of control for one line item account in the Road and Bridge Fund by \$34,713 for the year ended December 31, 2009.

Contrary to Ohio law, the Township did not consistently obtain prior certification of the fiscal officer before incurring obligations during 2010 and 2009.

**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.

**OLIVE TOWNSHIP  
NOBLE COUNTY**

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

**5. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$12,991	4.75%

The Township issued general obligation notes in January 2009 to finance the purchase of a dump truck for Township road maintenance. The debt payments are paid from the Road and Bridge, Special Revenue Fund type. The Township's taxing authority collateralized the bonds.

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

	General Obligation Notes
Year ending December 31:	
2011	\$10,513
2012	2,867
Total	\$13,380

**6. Retirement Systems**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's 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.

**7. Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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.

**OLIVE TOWNSHIP  
NOBLE COUNTY**

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

**7. Risk Management (Continued)**

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	(12,880,766)	(12,981,818)
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, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$3,184.

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.

<u>Contributions to OTARMA</u>		
<u>2010</u>	<u>2009</u>	<u>2008</u>
\$2,976	\$2,536	\$1,867



**OLIVE TOWNSHIP  
NOBLE COUNTY**

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

**7. Risk Management (Continued)**

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

**8. Contingent Liabilities**

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

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# Dave Yost • Auditor of State

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

Olive Township  
Noble County  
84 Jefferson Drive  
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the financial statements of Olive Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 31, 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 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 opinions 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.

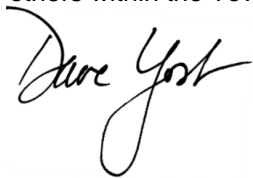
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-003 and 2010-004 described in the accompanying Schedule of Findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 thru 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 May 31, 2011.

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



**Dave Yost**  
Auditor of State

May 31, 2011

**OLIVE TOWNSHIP  
NOBLE 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**

**Noncompliance Citation**

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

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

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

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

2. Blanket Certificate – Fiscal officers may prepare so-called "blanket" certificates against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to purchase commitment for eighty-nine percent (89%) of the expenditures tested in 2010 and eighty-four percent (84%) of the expenditures tested in 2009 and there was no evidence the Township followed the aforementioned exceptions. In addition, the Township used "Then and Now" certificates for eighty-three percent (83%) of expenditures tested in 2010 and seventy-nine percent (79%) of expenditures tested in 2009 with no approval documented in the minutes. "Then and Now" certificates are to be used when prior certification is not possible and not as a normal method of encumbering. We also noted the Township used blanket certificates but no threshold was established.

**OLIVE TOWNSHIP  
NOBLE 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 2010-001 (Continued)**

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

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

We recommend the Township certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. We also recommend the Township establish a threshold for blanket certificates that may not be exceeded if they wish to begin issuing regular blanket certificates. In addition, we also recommend the Fiscal Officer prepare super blanket certificates under the guidelines noted above.

**FINDING NUMBER 2010-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

At December 31, 2009, expenditures exceeded appropriations in the following fund:

Fund	Approved Appropriations	Actual Expenditures	Variance
Road and Bridge	\$83,555	\$124,899	(\$41,344)
Issue II Fund	\$0	\$70,478	(\$70,478)

At December 31, 2009, expenditures exceeded appropriations at the legal level of controls as follows:

Account Code	Approved Appropriations	Actual Expenditures	Variance
2031-330-360	\$9,982	\$44,695	(\$34,713)

This could result in the Township spending more money than is available to spend.

**OLIVE TOWNSHIP  
NOBLE 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(B) - (Continued)**

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

We recommend the Fiscal Officer and Board of Trustees compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**FINDING NUMBER 2010-003**

**Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 5705.10 provides that all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received.

The Township received \$70,478 in Issue II money from paving project Round 23 in 2009 from the Ohio Public Work Commission issued to Noble County. The Ohio Public Works Commission made checks payable directly to the contractor. The Township did not post the revenues and the expenditures for the grant to its books, nor were estimated resources amended or supplemental appropriations passed.

This caused the revenues in the Capital Projects Fund to be understated in 2009. This adjustment was booked by the Auditor of State and recorded on the Township's Financial Statements for 2009.

We recommend the Township Fiscal Officer record all on behalf payments as a memo receipt and expenditure on the Township's bookkeeping system. We also recommend the Township obtain an amended certificate of estimated resources and pass supplemental appropriations for these transactions. Under Ohio Rev. Code Section 5705.42, Federal and State grants or loans are "deemed appropriated for such purpose by the taxing authority" as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection. "Deemed an appropriation" under this section means the Federal or State government has already appropriated and established the purpose(s) for which a government can spend monies received from Federal or State grants and loans. The taxing authority cannot deviate from this purpose; the taxing authority can only resolve to spend the money for a purpose already prescribed in a contract, grant agreement, loan agreement, etc. Therefore, Federal and State grants and loans received under Ohio Rev. Code Section 5705.42 do not require formal appropriation by the legislative body. In other words, Ohio Rev. Code Section 5705.42 effectively eliminates an unnecessary appropriation action by the taxing authority. However, Ohio Rev. Code Section 5705.42 directs the fiscal officer to record the appropriation amount in the accounting system. The fiscal officer should also include the appropriated amounts on the (amended) certificate to properly monitor budget versus actual activity. AOS Bulletin 2000-008 provides additional information regarding on-behalf funding for cash basis local government entities.

**OLIVE TOWNSHIP  
NOBLE 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 2010-004**

**Material Weakness**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Estimated receipts, as reflected on the Uniform Accounting Network computer system and in the Township's notes to the financial statements, did not always agree to the final Amended Certificate of Estimated Resources as approved by the County Budget Commission. The variances noted were:

Year	Fund	Final Amended Certificate Amount	Amounts Posted to the Accounting System	Variance
2010	General	\$30,990	\$38,441	(\$7,451)
	Motor Vehicle License Tax	13,440	14,874	(1,434)
	Gasoline Tax	85,000	99,769	(14,769)
	Permissive Motor Vehicle License	2,870	3,554	(684)

Year	Fund	Final Amended Certificate	Amounts Posted to the Accounting System	Variance
2009	General	\$31,652	\$32,598	(\$946)
	Gasoline Tax	85,000	90,101	(5,101)
	Road and Bridge	65,249	104,400	(39,151)
	Miscellaneous Debt Service	0	28,673	(28,673)

Appropriations, as reflected on the Uniform Accounting Network computer system and in the Township's notes to the financial statements, did not always agree to the annual resolution as approved by the Board of Trustees. The variances noted were:

Year	Fund	Appropriation Resolution	Amounts Posted to the Accounting System	Variance
2009	General	\$52,326	\$53,797	(\$1,471)
	Road and Bridge	80,855	124,215	(43,360)



**OLIVE TOWNSHIP  
NOBLE 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 2010-004 (Continued)**

**Material Weakness (Continued)**

We also noted several line items (legal level of control) in 2009 and 2010 for the funds noted above where appropriations as approved by the Board of Trustees did not agree to the amounts posted to the Township's ledgers which resulted in the variances noted above at the fund level.

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year. The budgeted receipts and appropriations stated in Note 3 Budgetary Activity have been adjusted to reflect the legislatively approved amounts.

We recommend the Fiscal Officer post only those estimated revenues and appropriations to the computer system which have been approved by the County Budget Commission and/or the Board of Trustees. We recommend the Board of Trustees approve supplemental appropriations and certify them to the County Auditor. Any supplemental appropriations approved by the Board of Trustees should be documented in the official minute record.

**Official's Response:**

No response received from Township management.

**OLIVE TOWNSHIP  
NOBLE 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	Ohio Rev. Code Section 5705.36(A)(4) – Appropriations exceeded actual resources for the Motor Vehicle License Tax Fund by \$288 and the Road and Bridge Fund by \$12,558.	No	Reissued as a verbal issue.
2008-002	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources for the Road and Bridge Fund by \$12,664.	Yes	Corrected.
2008-003	Ohio Rev. Code Section 5705.10 (H) and Auditor of State Bulletin 97-003 – advances made not in accordance with bulletin	No	Partially corrected. Reissued in the management letter.
2008-004	Posted Estimated receipts per Budget Commission did not agree to the Township's system in the General, Road and Bridge, Cemetery, and Garbage and Waste Funds.	No	Not Corrected. Reissued as Finding Number 2010-004.



# Dave Yost • Auditor of State

**OLIVE TOWNSHIP**

**NOBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 28, 2011**