



Dave Yost • Auditor of State

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

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

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

January 21, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Olmsted Township, Cuyahoga County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008. 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(B) and 115.56 mandate 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 2, the Township has restated the January 1, 2008 fund balances of the General Fund and the Capital Projects Fund.

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, 2009 and 2008 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, 2009 and 2008, 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 Olmsted Township, Cuyahoga County, Ohio, as of December 31, 2009 and 2008, 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 January 21, 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

January 21, 2011

**OLMSTED TOWNSHIP
CUYAHOGA 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$848,611	\$2,126,425	\$2,975,036
Charges for Services	0	290,432	290,432
Licenses, Permits, and Fees	197,530	707	198,237
Fines and Forfeitures	70	12,915	12,985
Intergovernmental	907,323	477,972	1,385,295
Earnings on Investments	5,734	686	6,420
Miscellaneous	27,572	9,896	37,468
	<u>1,986,840</u>	<u>2,919,033</u>	<u>4,905,873</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	994,134	73,999	1,068,133
Public Safety	933,002	2,658,598	3,591,600
Public Works	163,589	160,278	323,867
Health	0	57,393	57,393
Conservation - Recreation	0	5,500	5,500
Capital Outlay	0	8,610	8,610
Debt Service:			
Redemption of Principal	125,000	0	125,000
Interest and Other Fiscal Charges	100,349	0	100,349
	<u>2,316,074</u>	<u>2,964,378</u>	<u>5,280,452</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(329,234)</u>	<u>(45,345)</u>	<u>(374,579)</u>
Fund Cash Balances, January 1	<u>655,882</u>	<u>709,636</u>	<u>1,365,518</u>
Fund Cash Balances, December 31	<u>\$326,648</u>	<u>\$664,291</u>	<u>\$990,939</u>
Reserve for Encumbrances, December 31	<u>\$34,358</u>	<u>\$40,806</u>	<u>\$75,164</u>

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

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$817,307	\$2,127,225	\$2,944,532
Charges for Services	24	277,766	277,790
Licenses, Permits, and Fees	233,423	115	233,538
Fines and Forfeitures	12,280	0	12,280
Intergovernmental	1,203,261	480,750	1,684,011
Special Assessments	16,191	0	16,191
Earnings on Investments	44,002	4,159	48,161
Miscellaneous	27,639	9,898	37,537
	<u>2,354,127</u>	<u>2,899,913</u>	<u>5,254,040</u>
Cash Disbursements:			
Current:			
General Government	1,103,632	131,070	1,234,702
Public Safety	985,477	2,463,855	3,449,332
Public Works	549,462	198,463	747,925
Health	0	52,705	52,705
Conservation - Recreation	0	3,000	3,000
Capital Outlay	0	7,220	7,220
Debt Service:			
Redemption of Principal	100,000	0	100,000
Interest and Other Fiscal Charges	103,349	0	103,349
	<u>2,841,920</u>	<u>2,856,313</u>	<u>5,698,233</u>
Total Receipts Over/(Under) Disbursements	<u>(487,793)</u>	<u>43,600</u>	<u>(444,193)</u>
Other Financing Receipts / (Disbursements):			
Other Financing Uses	<u>(111)</u>	<u>0</u>	<u>(111)</u>
Total Other Financing Receipts / (Disbursements)	<u>(111)</u>	<u>0</u>	<u>(111)</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(487,904)	43,600	(444,304)
Fund Cash Balances, January 1	<u>1,143,786</u>	<u>666,036</u>	<u>1,809,822</u>
Fund Cash Balances, December 31	<u>\$655,882</u>	<u>\$709,636</u>	<u>\$1,365,518</u>
Reserve for Encumbrances, December 31	<u>\$164,674</u>	<u>\$85,406</u>	<u>\$250,080</u>

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

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Olmsted Township, Cuyahoga County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services including road maintenance, police and fire protection, and emergency medical services.

The Township participates in three jointly governed organizations. These organizations are the Southwest Council of Governments, Northeast Ohio Public Energy Council, and Chestnut Grove Union Cemetery. The Township also participates in one public entity risk pool. This organization is the Ohio Government Risk Management Plan. Notes 8 and 10 to the financial statements provides additional information for these entities.

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

B. Accounting Basis

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

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

C. Deposits 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.

The Township values repurchase agreements at cost. The investment in STAR Ohio (the State Treasurer's investment pool), is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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:

Police Levy Fund - This fund is used to account for property tax revenue used to provide police protection services.

Fire Levy Fund - This fund is used to account for property tax revenue used to provide fire protection services.

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, department or object level of control for the Township's General Fund and the fund, object level of control for the Township's other funds, 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 2009 and 2008 budgetary activity appears in Note 3.

F. 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.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. 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. Fund Balance Restatement

The Township restated the January 1, 2008 fund balances of the General Fund and the Capital Projects fund to properly account for previous debt payments that were posted to the Capital Projects fund that should have been posted to the General Fund.

	General Fund	Capital Projects Fund
December 31, 2007 Fund Balance	\$1,352,875	(\$209,089)
Restatement	(209,089)	209,089
Restated January 1, 2008 Fund Balance	\$1,143,786	\$0

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:

	2009	2008
Demand deposits	\$179,708	\$50,000
Total deposits	179,708	50,000
STAR Ohio	811,231	1,008,589
Repurchase agreement	0	306,929
Total investments	811,231	1,315,518
Total deposits and investments	\$990,939	\$1,365,518

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,865,198	\$1,986,840	\$121,642
Special Revenue	2,864,162	2,919,033	54,871
Total	\$4,729,360	\$4,905,873	\$176,513

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,547,135	\$2,350,432	\$196,703
Special Revenue	3,294,482	3,005,184	289,298
Total	\$5,841,617	\$5,355,616	\$486,001

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,749,803	\$2,354,127	\$604,324
Special Revenue	2,851,211	2,899,913	48,702
Total	\$4,601,014	\$5,254,040	\$653,026

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,358,608	\$3,006,705	\$351,903
Special Revenue	3,103,315	2,941,719	161,596
Total	\$6,461,923	\$5,948,424	\$513,499

Contrary to Ohio law, the General Fund, Police District Fund and the Community Diversion Program Fund had various instances where expenditures plus encumbrances exceeded the authorized appropriations at the legal level of control at December 31, 2009. In addition, contrary to Ohio law, the General Fund and Motor Vehicle License Tax Fund had instances where expenditures plus encumbrances exceeded the authorized appropriations at the legal level of control at December 31, 2008.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Property Tax

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

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

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

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

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$2,355,000	1.8% to 2.5%
Total	\$2,355,000	

The Township issued general obligation bonds to pay the costs of constructing, furnishing, and equipping new Police, Service and Building Department buildings, and renovating, furnishing, and equipping the existing Town Hall.

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

	General Obligation Bonds
Year ending December 31:	
2010	\$221,019
2011	216,890
2012	212,425
2013	207,893
2014	202,894
2015 - 2019	1,085,756
2020 - 2024	1,085,968
Total	\$3,232,845

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Retirement Systems

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees 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. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Township contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2009 and 2008, 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, 2009.

8. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

Risk Pool Membership

The Township belongs to 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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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, except OPRM retain 15% 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 over 650 members as of December 31, 2008. The Township participates in this coverage.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

Risk Pool Membership (Continued)

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Township participates in this coverage.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available):

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

10. Jointly Governed 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 entities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each member's degree of control is limited to its representation on the Board. The Township contributed \$13,000 in 2009 and \$7,500 in 2008.

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 a 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, Ohio.

B. 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 currently comprised of 126 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 the 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 elect one person to serve on the eight-member NOPEC 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 and on the Board. In 2009 and 2008, 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.

C. 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 members of 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 of the political subdivisions who is not a member of the legislative body.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

10. Jointly Governed Organizations (Continued)

C. Chestnut Grove Union Cemetery Continued)

The Joint Council exercises control over the operation of the Cemetery through budgeting, appropriating, and contracting. The Board of Trustees control daily operations of the Cemetery. During 2009 and 2008, the Township contributed \$57,393 and \$52,705, respectively, to Chestnut Grove Union Cemetery.

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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

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

To the Board of Trustees:

We have audited the financial statements of Olmsted Township, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated January 21, 2011 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township restated the January 1, 2008 fund balances of the General Fund and the Capital Projects Fund. 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 weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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 2009-005 and 2009-006 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 2009-001 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated January 21, 2011.

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.

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

January 21, 2011

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING 2009-001

Finding For Recovery – Payment of Accumulated Sick Time

During our review of the payroll expenditures made during fiscal year 2009, we noted one Township Fire Department employee that received excess payment of his vacation and sick leave balances upon his resignation on June 5, 2009.

Justin G. Fischbach, Firefighter, was employed by the Olmsted Township Fire Department during fiscal year 2009. During that time, he was covered under the *Agreement Between Olmsted Township and the Olmsted Township Professional Fire Fighters Union Local 2845* (hereinafter "the Agreement") for the period January 1, 2007 to December 31, 2009.

With respect to Sick Leave, Section 17.1 of the Agreement states in part, "[e]ach full-time employee shall accrue sick leave at the rate of seven (7) days per year, provided the employee is in paid status. Otherwise the amount will be prorated to deduct time spent in unpaid status." Section 17.4 of the Agreement further states, "upon death or retirement, one-third (1/3) of all accumulated unused sick leave shall be paid to the employee or the employees estate, at the employee's then existing rate of pay."

During fiscal year 2009, Justin Fischbach resigned from his position, effective April 4, 2009. On June 5, 2009 he received a payout, including 52 hours of sick leave. The total payment for sick time equaled \$1,033.

Per the the Agreement he was only entitled to one-third of his sick leave balance, or \$345. As a result, Justin G. Fischbach was overpaid in the amount of \$688.

In accordance with the forgoing facts, and pursuant to Ohio revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Justin G. Fischbach for \$688 and in favor of the Olmsted Township Fire District Fund for a total of \$688.

Under Ohio Law, any public official who authorizes an illegal expenditure of public funds or supervises the accounts of public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp* (1929), 120 Ohio St. 47; 1980 Op. Atty Gen. 80074; Ohio Rev., Code Section 9.39; State; *ex Rel. Village of Lindale v. Masten* (1985), 18 Ohio St, 3d 228. Public Officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent recovery or restitution is not obtained from the person who unlawfully obtained such funds or property, 1980 Atty Gen No. 80-074.

Accordingly, Daniel Faust, Fiscal Officer, and Travelers Casualty and Surety of America, his bonding company, will be jointly and severally liable in the amount of \$688 and in favor of the Olmsted Township Fire District Fund to the extent that recovery is not obtained from Justin G. Fischbach.

Official's Response: We will work on a payback schedule to collect the overpaid amount.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)

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

FINDING 2009-002

Finding For Recovery – Payment of Longevity

During our review of payroll expenditures made during fiscal year 2009, we noted one Township Police Department employee who received two longevity payments in fiscal year 2009, in violation of the union agreement.

Jacqueline L. Ketterer, Patrolman, was employed by the Township Police Department during fiscal year 2009. During that time she was covered under the *Agreement Between Olmsted Township and Ohio Patrolmen's Benevolent Association* (hereinafter "the Agreement") for the period January 1, 2007 to December 31, 2009.

Article 34 of this agreement states in part that, "[t]he longevity benefits shall be paid once per year on the employee's anniversary date of hire".

During fiscal year 2009, Jacqueline Ketterer was paid \$600 for longevity in two separate payments on May 8, 2009. She received a total longevity payout of \$1,200 from Olmsted Township. In accordance with the Agreement, Jacqueline Ketterer was not entitled to \$600 of the \$1,200 total longevity payout she received.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for recovery for public monies illegally expended is hereby issued against, Jacqueline L. Ketterer for \$600 and in favor of the Olmsted township Police District Fund for a total of \$600.

Under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditures is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State ex Rel. Village of Lindale V. Masten* (1985), 18 Ohio St. 3d 228. Public Officials controlling public funds or property are liable for the loss incurred should such funds or property be frequently obtained by another, converted, misappropriated, lost or stolen to the extent the recovery for restitution is not obtained from the person who unlawfully obtained such funds or property, 1980 Op. Atty. Gen No. 08-074.

Accordingly, Dan Faust, Fiscal Officer, and Travelers Casualty and Surety Company of America, his bonding company, will be jointly and severally liable in the amount of \$600 and in Favor of the Olmsted Township Police District Fund, to the extent that recovery is not obtained from Jacqueline L. Ketterer.

Official's Response: A payment plan will be worked out with this current employee.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)**

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

FINDING 2009-003

Noncompliance Finding

Timely Depositing

Ohio Revised Code Section 9.38 provides that any public official and/or employee who receives public monies shall deposit said monies with the Treasurer or with a properly designated depository on the next business day following the day of receipt, if the total received exceeds one thousand dollars.

If the total amount of the public money received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited.

The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

During our test of licenses, permits and fees revenue, we noted 14 out of 50 receipts tested (28%), were not deposited with the Fiscal Officer in accordance with the aforementioned provisions. The range of those receipts not deposited in a timely manner varied between \$81 and \$6,862 and were held up to six days.

We recommend the Township take the necessary steps to comply with the aforementioned Ohio Revised Code section, specifically, that all deposits be made in a timely manner. We recommend all Township departments either deposit monies collected with the Fiscal Officer or its local depository on the next business day following the day of receipt or the Township adopt a policy requiring all monies collected to be deposited with the Fiscal Officer or properly designated depository within three business days following the day of receipt, if the total amount of such monies is less than \$1,000. Additionally, such a policy must include procedures to safeguard the monies until the time of deposit.

Official's Response: Olmsted Township is currently in the process of updating our Employee handbook/Policy & Procedure Manual. Now that this item has been brought to the attention of the current board it will be added and addressed in the updated manual.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)**

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

FINDING 2009-004

Noncompliance Finding

Expenditures Plus Encumbrances in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Board of Trustees may not exceed appropriations at the legal level of control for all funds. The Township's legal level of control was the Fund, Department, Object-Level for the General Fund, and the Fund, Object-Level for the Township's other funds.

On December 31, 2009, the following funds had expenditures plus encumbrances exceeding authorized appropriations at the legal level of control:

Fund, Department, Object (General Fund) Fund, Object (All Other Funds)	Appropriations Plus Prior Year Carryover Encumbrances	Expenditures Plus Encumbrances	Variance
General			
Administrative – Salaries Trustees	\$38,305	\$46,014	(\$7,709)
Administrative – Property Insurance	13,600	18,057	(4,457)
Police District			
Telephone	0	124	(124)
Contracted Services	0	852	(852)
Community Diversion Program			
Salaries	2,000	5,483	(3,483)
CDP Comp Time	0	285	(285)

On December 31, 2008, the following funds had expenditures plus encumbrances exceeding authorized appropriations at the legal level of control:

Fund, Department, Object (General Fund) Fund, Object (All Other Funds)	Appropriations Plus Prior Year Carryover Encumbrances	Expenditures Plus Encumbrances	Variance
General			
Administrative – Other	\$28,318	\$36,302	(\$7,984)
Administrative – Workers Compensation	46,439	54,206	(7,767)
Motor Vehicle License Tax			
Contracted Services	15,655	32,358	(16,703)

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)**

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

FINDING 2009-004 (Continued)

Noncompliance Finding (continued)

Expenditures Plus Encumbrances in Excess of Appropriations (continued)

We recommend the Township ensure all budget amendments are posted with accuracy to the Township's ledgers. We also recommend the Township verify all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditures plus encumbrances in all funds which are legally required to be budgeted to maintain compliance with the above requirement.

Official's Response: Official's will take the recommendation of the Auditor's office to see that encumbrances do not exceed the authorized appropriations.

FINDING 2009-005

Material Weakness

Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure that 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. Furthermore for receipts, source documents, including remittance advices from Cuyahoga County, provide support to aid in the posting of various receipts.

The Fiscal Officer posted several receipts during the audit period to the proper fund, but to incorrect line items. Several revenue audit reclassifications were posted to the financial statements and accounting records due to improper posting.

In 2009, the following receipts were improperly recorded, and reclassification to the financial statements and accounting records were made:

- Manufactured Home property tax revenue was improperly recorded as intergovernmental revenue (\$52,409). These receipts were reclassified to property taxes.
- Homestead and rollback was improperly recorded as property tax revenue (\$344,915) and public utility reimbursement receipts were improperly recorded as miscellaneous revenue (\$42,746). These receipts were reclassified to intergovernmental revenue.
- Ambulance receipts were improperly recorded as fines, licenses and permits (\$290,432). These receipts were reclassified to charges for services.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)**

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

FINDING 2009-005 (Continued)

Material Weakness (continued)

Financial Reporting (continued)

In 2008, the following receipts were improperly recorded, and reclassification to the financial statements and accounting records were made:

- Manufactured Home property tax revenue was improperly recorded as intergovernmental revenue (\$24,193). These receipts were reclassified to property taxes.
- Homestead and rollback was improperly recorded as property tax revenue (\$340,359), public utility and CAT reimbursement receipts (\$93,076) were improperly recorded as miscellaneous revenue. These receipts were reclassified to intergovernmental revenue.
- Ambulance receipts were improperly recorded as miscellaneous revenue (\$277,766). These receipts were reclassified to charges for services.
- Franchise fee revenue was misposted to miscellaneous revenue (\$63,692). These receipts were reclassified to licenses, permits, and fees.

The financial statements and accounting records also required reclassification to properly account for the Township's debt expenditures:

- In 2009, debt principal was improperly recorded as interest and fiscal charges (\$125,000). This expenditure was reclassified to principal.
- In 2008, debt principal and interest was improperly recorded as capital outlay (\$203,349). The debt expenditures were reclassified to principal (\$100,000) and interest (\$103,349).

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. Failure to do so could result in errors in the financial statements and inaccurate information being reported to the Board of Trustees and the Township residents.

Official's Response: Item has been addressed with Fiscal Officer and Auditor. We will continue to monitor so that items are correctly classified.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)**

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

FINDING 2009-006

Material Weakness

Bank Reconciliations

A necessary step in the internal controls over the Township's treasury cycle and overall financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. The Township did not consistently prepare accurate monthly bank reconciliations during 2008 and 2009.

The Township failed to prepare accurate and complete reconciliations. The December 31, 2008 bank reconciliation contained unsupported reconciling items of \$9,480, creating a book over bank balance. The December 31, 2009 bank reconciliation contained unsupported reconciling items of \$9,927, which is also creating a book over bank balance. The other reconciling items included on the reconciliation are largely due to posting errors in the Township's financial records from previous audit periods and previous fiscal officers that have never been cleared up in the system. Minimal amounts, less than \$700, are due to posting errors that were not corrected during the current audit period.

Failure to maintain complete and accurate bank reconciliations along with accurately maintained Township records 1) reduces the accountability over Township funds, 2) reduces the Trustee's ability to monitor financial activity, 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood the Township's financial statements will be misstated.

We recommend the Township exercise due professional care when performing month-end bank reconciliations. We recommend the Township's month-end bank reconciliation be reviewed for completeness and accuracy by a Township official independent of the reconciliation process. The individual performing the bank reconciliation should provide evidence that it was performed and reflect all applicable records needed in order to complete the reconciliation. The Township's Fiscal Officer should post receipt and expenditure activity to the Township's accounting system at the time the monies are received and expenditures are made. Any discrepancies in the reconciliation process should be reviewed immediately. We further recommend the fiscal officer investigate the current other reconciling items included on the reconciliation and make the appropriate adjustments to correct the Township's financial records and bring them in agreement with the current bank balances.

Official's Response: Agreement on balance adjustment and more detailed review of the reconciliation reports on a monthly basis.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code Section 117.28: Finding for Recovery - Payment of Accumulated Sick Time: John W. Minek: \$2,266.07, Estate of David G. Tkachik: \$2,273.20, Gabriel W. Smolik: \$1,450.58, Ned Covic: \$2,058.30	No	Prior year findings not repaid.
2007-002	Ohio Revised Code Section 5705.41(D): Proper Certification of Funds	No	Reissued as Management Letter comment.
2007-003	Ohio Revised Code Section 5705.41(B): Expenditures in Excess of Appropriation Authority	No	Reissued as Finding 2009-004.
2007-004	Ohio Revised Code Section 5705.39: Appropriations in Excess of Estimated Resources	No	Reissued as Management Letter comment.
2007-005	Ohio Revised Code Section 9.38: Timely Depositing	No	Reissued as Finding 2009-003.
2007-006	Ohio Revised Code Section 149.351(A): Retention of Public Records	Yes	Corrected.
2007-007	Material Weakness: Financial Reporting	No	Reissued as Finding 2009-005.
2007-008	Material Weakness: Bank Reconciliations	No	Reissued as Finding 2009-006.



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
FEBRUARY 10, 2011**