



Dave Yost • Auditor of State

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2010	6
Notes to the Financial Statements	7
Schedule of Federal Awards Expenditures.....	17
Notes to the Schedule of Federal Awards Expenditures	18
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and On Internal Control Over Compliance Required by OMB Circular A-133	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings.....	34

This page intentionally left blank.



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

October 3, 2012

This page intentionally left blank.



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, 2011 and 2010. 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Olmsted Township, Cuyahoga County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 Olmsted Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012, 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.

We conducted our audit to opine on the Township's financial statements taken as a whole. The schedule of federal awards expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Dave Yost
Auditor of State

October 3, 2012

**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, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$841,131	\$2,569,230	\$0	\$3,410,361
Charges for Services	12,731	280,601	0	293,332
Licenses, Permits and Fees	297,073	836	0	297,909
Fines and Forfeitures	0	13,091	0	13,091
Intergovernmental	846,752	737,425	1,758,673	3,342,850
Earnings on Investments	1,226	136	0	1,362
Miscellaneous	86,043	10,746	0	96,789
<i>Total Cash Receipts</i>	<u>2,084,956</u>	<u>3,612,065</u>	<u>1,758,673</u>	<u>7,455,694</u>
Cash Disbursements				
Current:				
General Government	899,576	78,252	0	977,828
Public Safety	534,894	3,157,782	0	3,692,676
Public Works	131,287	226,871	0	358,158
Health	0	57,100	0	57,100
Conservation-Recreation	0	4,000	0	4,000
Capital Outlay	77,073	208,483	1,769,118	2,054,674
Debt Service:				
Principal Retirement	125,000	0	0	125,000
Interest and Fiscal Charges	92,047	0	0	92,047
<i>Total Cash Disbursements</i>	<u>1,859,877</u>	<u>3,732,488</u>	<u>1,769,118</u>	<u>7,361,483</u>
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	<u>225,079</u>	<u>(120,423)</u>	<u>(10,445)</u>	<u>94,211</u>
<i>Fund Cash Balances, January 1</i>	<u>342,414</u>	<u>554,773</u>	<u>177,532</u>	<u>1,074,719</u>
Fund Cash Balances, December 31				
Restricted	0	349,336	167,087	516,423
Committed	0	34,097	0	34,097
Assigned	0	50,917	0	50,917
Unassigned (Deficit)	567,493	0	0	567,493
<i>Fund Cash Balances, December 31</i>	<u>\$567,493</u>	<u>\$434,350</u>	<u>\$167,087</u>	<u>\$1,168,930</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, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$799,843	\$2,119,169	\$0	\$2,919,012
Charges for Services	7,659	289,862	0	297,521
Licenses, Permits, and Fees	241,666	10,700	0	252,366
Fines and Forfeitures	0	11,629	0	11,629
Intergovernmental	1,086,987	482,634	195,406	1,765,027
Earnings on Investments	1,776	226	0	2,002
Miscellaneous	32,874	22,715	0	55,589
	<u>2,170,805</u>	<u>2,936,935</u>	<u>195,406</u>	<u>5,303,146</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	964,496	73,487	0	1,037,983
Public Safety	843,572	2,672,309	0	3,515,881
Public Works	130,583	187,055	0	317,638
Health	0	54,307	0	54,307
Conservation - Recreation	0	4,000	0	4,000
Capital Outlay	0	55,295	17,874	73,169
Debt Service:				
Redemption of Principal	125,000	0	0	125,000
Interest and Other Fiscal Charges	96,300	0	0	96,300
	<u>2,159,951</u>	<u>3,046,453</u>	<u>17,874</u>	<u>5,224,278</u>
Total Cash Disbursements				
Excess of Receipts Over/(Under) Disbursements	<u>10,854</u>	<u>(109,518)</u>	<u>177,532</u>	<u>78,868</u>
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets	4,912	0	0	4,912
	<u>4,912</u>	<u>0</u>	<u>0</u>	<u>4,912</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Receipts	15,766	(109,518)	177,532	83,780
Fund Cash Balances, January 1	<u>326,648</u>	<u>664,291</u>	<u>0</u>	<u>990,939</u>
Fund Cash Balances, December 31	<u>\$342,414</u>	<u>\$554,773</u>	<u>\$177,532</u>	<u>\$1,074,719</u>
Reserve for Encumbrances, December 31	<u>\$40,596</u>	<u>\$46,047</u>	<u>\$0</u>	<u>\$86,643</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, 2011 and 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Township participates in three jointly governed organizations and the Ohio Government Risk Management Plan public entity risk pool. Notes 9 & 11 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

The Southwest Council of Governments, Northeast Ohio Public Energy Council, and Chestnut Grove Union Cemetery.

Public Entity Risk Pool:

The Ohio Government Risk Management Plan.

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.

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

D. Fund Accounting

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

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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:

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.

3. Capital Project Funds

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

Fire Grant Fund - The Township received a grant from the Federal Government to construct a new fire station.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of, 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.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 5.

F. Fund Balance

For the year ended December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

F. Fund Balance (Continued)

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Change in Accounting Principle

For fiscal year 2011, the Township has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this Statement did not have an effect on the Township's financial statements.

(Continued on next page)

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	\$356,365	\$272,620
Total deposits	356,365	272,620
STAR Ohio	812,565	812,026
Total investments	812,565	812,026
Total deposits and investments	\$1,168,930	\$1,084,646

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,604,560	\$2,084,956	\$480,396
Special Revenue	3,492,316	3,612,065	119,749
Capital Projects	0	1,758,673	1,758,673
Total	\$5,096,876	\$7,455,694	\$2,358,818

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,882,876	\$1,890,314	(\$7,438)
Special Revenue	3,950,916	3,786,164	164,752
Capital Projects	0	1,769,118	(1,769,118)
Total	\$5,833,792	\$7,445,596	(\$1,611,804)

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,966,287	\$2,175,717	\$209,430
Special Revenue	2,875,912	2,936,935	61,023
Capital Projects	0	195,406	195,406
Total	\$4,842,199	\$5,308,058	\$465,859

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,344,871	\$2,200,547	\$144,324
Special Revenue	3,325,978	3,092,518	233,460
Capital Projects	22,844	17,874	4,970
Total	\$5,693,693	\$5,310,939	\$382,754

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$7,438 and the Capital Projects Fund by \$1,769,118 for the year ended December 31, 2011.

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.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	<u>\$2,110,000</u>	3.50%
Total	<u><u>\$2,110,000</u></u>	

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:

Year ending December 31:	<u>General Obligation Bonds</u>
2012	212,425
2013	207,894
2014	202,894
2015	217,894
2016	217,275
2017-2021	1,081,940
2022-2024	654,615
Total	<u><u>\$2,794,937</u></u>

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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, 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 2011 and 2010, 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, 2011.

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.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

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. The Pool covers the following risks:

- General liability and casualty;
- Public official's liability; and
- Vehicle.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2011</u>	<u>2010</u>
Cash and investments	\$12,501,280	\$12,036,541
Actuarial liabilities	(\$5,328,761)	(\$4,845,056)
Members Equity	\$7,172,519	\$7,191,485

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.

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 \$15,000 and \$13,000 in 2011 and 2010, respectively.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

10. Jointly Governed Organizations (Continued)

A. Southwest Council of Governments (Continued)

The Council has established two subsidiary organizations, the Hazardous Materials Response Team ("HAZ MAT"), which provides hazardous material protection and assistance and the Southwest Enforcement Bureau, which provides extra assistance in the form of a Special Weapons and Tactics Team ("SWAT Team"). The Council's financial statements may be obtained by contacting the Southwest Council of Governments in Berea, 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 129 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 2011, 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.

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. The Township contributed \$57,100 and \$54,307 to Chestnut Grove Union Cemetery in 2011 and 2010, respectively. The financial statements of the Cemetery may be obtained by contacting Gertrude Wilmlink, Fiscal Officer, 7789 Lewis Road, Olmsted Falls, Ohio 44138.

This page intentionally left blank.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Disbursements
U.S. Department of Homeland Security		
<i>Direct Funding</i>		
Assistance to Firefighters Grant	97.044	\$151,508
ARRA Assistance to Firefighters Grant	97.115	<u>1,769,118</u>
Total U.S. Department of Homeland Security		1,920,626
Total Federal Disbursements		<u>\$1,920,626</u>

The accompanying notes are an integral part of this schedule.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports Olmsted Township's (the Township's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.



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, Cuyahoga County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 3, 2012, wherein we noted the Township followed 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 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. Furthermore, we noted the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. 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 a certain deficiency in internal control over financial reporting, that we consider a 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 finding 2011-02 described in the accompanying schedule of findings to be a material weakness.

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 2011-01 and 2011-03 through 2011-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 3, 2012.

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 Financial Review Committee, the Board of Trustees, federal awarding agencies and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

October 3, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Trustees:

Compliance

We have audited the compliance of Olmsted Township (the Township) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Township's major federal program. The Township's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Township's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Township's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township's compliance with these requirements.

As described in finding 2011-06 in the accompanying schedule of findings, the Township did not comply with requirements regarding reporting applicable to its ARRA Assistance to Firefighters major federal program. Compliance with this requirement is necessary, in our opinion, for the Township to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Olmsted Township complied, in all material respects, with the requirements referred to above applicable to its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The Township's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Township's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Township's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-06 to be a material weakness.

We also noted a certain matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 3, 2012.

The Township's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the Financial Review Committee, management, the Board of Trustees and federal awarding agencies. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

October 3, 2012

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF AUDITOR'S RESULTS DECEMBER 31, 2011
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Reporting – ARRA Assistance to Firefighters Grant; Unqualified – All other requirements
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	ARRA Assistance to Firefighters – CFDA # 97.115
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011 AND 2010
(CONTINUED)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
DECEMBER 31, 2011 AND 2010

FINDING NUMBER 2011-01

Material Noncompliance

Proper Encumbering

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Rev. Code.

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 District can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the 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 "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing of expenditures, we noted that 18 of 25 transactions reviewed in 2011 and 12 of 23 transactions reviewed in 2010 were not encumbered prior to the purchase commitment. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-01 (CONTINUED)

Material Noncompliance (Continued)

Proper Encumbering (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 the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: Olmsted Township Board of Trustees will re-train our leadership team on policy and procedures for use of purchase orders. We will continue the use of our "February 2012 > \$750 Expenditure Request Form which requires a sign-off by Fiscal Officer and Board prior to agenda approval. We will identify our top 25 vendor's/contracts and approve a super blanket to encumber and appropriate payment of these set invoices to ensure we do not have a repeat of this finding on our next audit. The Fiscal Officer will update the (CER) Certificate of Estimated Resources on a quarterly basis and on December 1st of the year to ensure that our figures are accurately recorded. We will also work with Fiscal Officer to provide supplemental assistance and mentoring if requested to ensure these policies and procedures can be implemented.

FINDING NUMBER 2011-02

Material Weakness

Financial Reporting

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

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED) DECEMBER 31, 2011 AND 2010
--

FINDING NUMBER 2011-02 (CONTINUED)

Material Weakness (Continued)

Financial Reporting (Continued)

The Fiscal Officer posted several receipts during the audit period to the proper fund, but to incorrect line items within the fund. The Township also had Federal grant receipts and expenditures that were not posted to the UAN. Several revenue and expenditure reclassifications were posted to the financial statements and accounting records due to improper posting.

In 2011, the following receipts were improperly recorded, and reclassification to the financial statements and accounting records were made:

- Homestead and rollback intergovernmental revenue was improperly recorded as property tax revenue in the General Fund totaling \$97,994 and in the Special Revenue Funds totaling \$122,904.
- Trailer tax property tax revenue was improperly recorded as intergovernmental revenue in the General Fund totaling \$12,621 and in the Special Revenue Funds totaling \$42,890.
- NOPEC grant intergovernmental revenue was improperly recorded as miscellaneous revenue in the General Fund totaling \$92,370.

In 2010, the following receipts were improperly recorded, and reclassification to the financial statements and accounting records were made:

- Homestead and rollback intergovernmental revenue was improperly recorded as property tax revenue in the General Fund totaling \$48,636 and in the Special Revenue Funds totaling \$153,876.
- Public Utility reimbursement intergovernmental revenue was improperly recorded as miscellaneous revenue in the General Fund totaling \$37,963.
- Trailer tax property tax revenue was improperly recorded as intergovernmental revenue in the General Fund totaling \$7,112 and in the Special Revenue Funds totaling \$21,989.
- Great Lakes Billing charges for services revenue was improperly recorded as licenses, permits and fees revenue in the Special Revenue Funds totaling \$230,495.

The Township opened a bank account in 2010 to account for Federal grant transactions. In 2011, the following Federal receipts and expenditures were not recorded in the UAN:

- ARRA Assistance to Firefighters Grant revenue totaling \$1,758,673 should have been recorded in the Capital Projects Funds.
- ARRA Assistance to Firefighters Grant expenditures totaling \$1,769,118 should have been recorded in the Capital Projects Funds.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011 AND 2010
(CONTINUED)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
DECEMBER 31, 2011 AND 2010

FINDING NUMBER 2011-02 (CONTINUED)

Material Weakness (Continued)

Financial Reporting (Continued)

In 2010, the following Federal receipts and expenditures were not recorded in the UAN:

- ARRA Assistance to Firefighters Grant revenue totaling \$195,406 should have been recorded in the Capital Projects Funds.
- ARRA Assistance to Firefighters Grant expenditures totaling \$17,874 should have been recorded in the Capital Projects Funds.

Failure to properly record receipts and expenditures in UAN could result in errors in the financial statements and inaccurate information being reported to the Board of Trustees and the Township residents. The Township should evaluate its methods for the processing of receipts and expenditures. The Township should post receipts and expenditures to the proper funds and line items within each fund. The receipt postings should be accurate and complete in accordance with the revenue's purpose. The Township should also ensure that all activity of the Township is recorded in the UAN.

Officials' Response: The Board recognizes the seriousness of these findings and May 23, 2012 we passed Resolution 39-2012 to disband the audit committee and Resolution 40-2012 establish a Financial Review Committee who reports to the Board and provides oversight. The objectives are to assist the Fiscal Officer in maintaining control over finances by instructing staff on the proper procedures, and by having the Fiscal Officer provide timely and accurate operational reports using the UAN system as well as preparing forecasts and projections to ensure long term financial soundness of the Township. In addition,, we have identified Fiscal Officer training needs and are in the process of arranging for Fiscal Officer to meet with a traveling fiscal officer for UAN training.

FINDING NUMBER 2011-03

Material Noncompliance and Finding for Recovery

Fiscal Officer Compensation

Pursuant to Ohio Rev. Code Section 507.09(A)(8), in calendar years 2010 and 2011, in a township having a budget of more than three million five-hundred thousand dollars (\$3,500,000) but not more than six million dollars (\$6,000,000), the compensation of the township fiscal officer shall be \$21,221. Though a township's budget may increase over the \$750,000 threshold during the year, a fiscal officer's salary may not increase in-term. Ohio Constitution art. 20, §20; *Artmayer v. Board of Trustees of Delhi Township* (1975), 43 Ohio St.2d 62; 1952 OAG No. 1540.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-03 (CONTINUED)

Material Noncompliance and Finding for Recovery (Continued)

Fiscal Officer Compensation (Continued)

The Township's Certificate of Estimated Resources, as approved by the County Budget Commission, for fiscal year 2010 was \$5,625,179 from January 1 through March 22; \$5,678,179 from March 23 through September 7; and \$5,757,973 from September 8 through December 31. As such, the maximum annual salary for the Township Fiscal Officer, for January 1 through December 31, 2010, should have been \$21,221.

The Township's Certificate of Estimated Resources, as approved by the County Budget Commission, for fiscal year 2011 was \$5,757,432 from January 1 through February 15; \$5,857,432 from February 16 through June 13; and \$5,926,543 from June 14 through December 31. As such, the maximum annual salary for the Township Fiscal Officer, for January 1 through December 31, 2011, should have been \$21,221.

A review of the payroll records indicate Daniel Faust, Fiscal Officer, was paid the annual compensation of \$22,425 and \$22,442 for the years of 2010 and 2011, respectively, and as a result, a total overpayment of \$2,425 occurred. Monthly payments were authorized by Fiscal Officer Daniel Faust and Township Trustees Sherri Lippus, Thomas Bush, and James Carr.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Daniel Faust, Fiscal Officer, and his bonding company, Travelers Casualty and Surety Company of America, jointly and severally in the amount of \$2,425 and in favor of the Olmsted Township's General Fund. In addition Sherri Lippus and Thomas Bush and their bonding company, Hartford Fire Insurance Company, and James Carr and his bonding company, Travelers Casualty and Surety Company of America are jointly and severally liable.

Officials' Response: The Fiscal Officer Dan Faust will enter into a payment plan to repay.

FINDING NUMBER 2011-04

Material Noncompliance and Finding for Recovery

Trustee Compensation

Pursuant to Ohio Rev. Code Section 505.24(A)(5), in calendar years 2010 and 2011, in a township having a budget of more than three million five hundred thousand dollars (\$3,500,000) but not more than six million dollars (\$6,000,000), the annual compensation of the township trustees shall be \$12,346. Though a township's budget may increase over the \$6,000,000 threshold during the year, a trustee's salary may not increase in-term. Ohio Constitution art. 20, §20; *Artmayer v. Board of Trustees of Delhi Township* (1975), 43 Ohio St.2d 62; 1952 OAG No. 1540.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011 AND 2010
(CONTINUED)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
DECEMBER 31, 2011 AND 2010

FINDING NUMBER 2011-04 (CONTINUED)

Material Noncompliance and Finding for Recovery (Continued)

Trustee Compensation (Continued)

The Township's Certificate of Estimated Resources, as approved by the County Budget Commission, for fiscal year 2010 was \$5,625,179 from January 1 through March 22; \$5,678,179 from March 23 through September 7; and \$5,757,973 from September 8 through December 31. As such, the maximum annual salary for the Township Trustees, for January 1 through December 31, 2010, should have been \$12,346.

The Township's Certificate of Estimated Resources, as approved by the County Budget Commission, for fiscal year 2011 was \$5,757,432 from January 1 through February 15; \$5,857,432 from February 16 through June 13; and \$5,926,543 from June 14 through December 31. As such, the maximum annual salary for the Township Trustees, for January 1 through December 31, 2011, should have been \$12,346.

A review of the payroll records indicate that each Township Trustee was paid the annual compensation of \$13,047 and \$13,057 for the years of 2010 and 2011, respectively, and as a result, we noted an overpayment of \$1,412 individually for each of three Township Trustees. Monthly payments were authorized by authorized by Fiscal Officer Daniel Faust and Township Trustees Sherri Lippus, Thomas Bush, and James Carr.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Sherri Lippus and Thomas Bush and their bonding company, Hartford Fire Insurance Company, and James Carr and his bonding company, Travelers Casualty and Surety Company of America, jointly and severally in the amount of \$1,412 each and in favor of the Olmsted Township's General Fund. In addition Daniel Faust, Fiscal Officer, and his bonding company, Travelers Casualty and Surety Company of America are jointly and severally liable.

Current Trustee Sherri Lippus repaid her portion in full via personal check on \$1,412 on September 1, 2012, which was subsequently deposited into the Township's bank account and posted to the General Fund.

Officials' Response: Current Trustee Sherri Lippus reimbursed the General Fund under audit. Former Trustee Tom Bush who attended the post audit conference confirmed that he intended to establish a payment plan. The Current Trustees also corresponded with Former Trustee Jim Carr to establish a payment plan as well.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-05

Material Noncompliance

Expenditures Plus Encumbrances in Excess of Appropriations

Ohio Rev. Code 5705.41 (B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated. Budgetary expenditures (that is disbursements and encumbrances) as enacted by the Board of Trustees may not exceed appropriations at the budgetary legal level of control for all funds. The Townships legal level of control is the fund, department, object-level for the General Fund and at the fund, object-level for all other funds.

The following funds had expenditures plus encumbrances in excess of appropriations at the legal level of control at December 31, 2011:

Fund, Department, Object (General Fund) Fund, Object (All other funds)	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Variance
General Fund			
Salary Legal Council	\$35,000	\$40,130	(\$5,130)
Travel and Meeting Expense	500	1,006	(506)
Other Insurance	275	675	(400)
Operating Supplies	2,500	2,966	(466)
Other Expenses	55,406	57,792	(2,386)
Electricity	21,000	52,987	(31,987)
Contracted Services	51,946	54,446	(2,501)
Office Supplies	1,410	1,588	(178)
OPERS	950	49,185	(48,235)
Medicare	690	13,178	(12,488)
Repairs and Maintenance	39	4,419	(4,380)
OP&F	0	677	(677)
Medical Hospitalization	0	39,603	(39,603)
Improvement of Sites	46,185	77,073	(30,888)
Gasoline Tax Fund			
Repairs and Maintenance	8,010	9,530	(1,520)
Operating Supplies	3,809	6,556	(2,747)
Police District Fund			
Training Services	8,000	8,500	(500)
Fire District Fund			
Other Salaries	1,069,215	1,070,937	(1,722)
Medicare	0	20	(20)
OP&F	57,424	69,354	(11,930)
Contracted Services	6,000	7,872	(1,872)
Improvement of Site	30,887	33,979	(3,092)
Ambulance and EMS Fund			
Salary Chief	75,000	77,344	(2,344)
Capital Equipment			
Buildings	0	1,769,118	(1,769,118)

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-05 (CONTINUED)

Material Noncompliance (Continued)

Expenditures Plus Encumbrances in Excess of Appropriations (Continued)

The following funds had expenditures plus encumbrances in excess of appropriations at the legal level of control at December 31, 2010:

Fund, Department, Object (General Fund) Fund, Object (All other funds)	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Variance
General Fund			
County Auditor/Treasurer Fees	\$55,000	\$67,383	(\$12,383)
Engineering Services	6,025	6,090	(65)
OP&F	0	65,543	(65,543)
Gasoline Tax Fund			
Small Tools and Minor Equip.	2,500	3,000	(500)
Police District Fund			
Contracted Services	52,067	52,231	(164)
Operating Supplies	20,103	31,107	(11,004)
Fire District Fund			
Medicare	0	41	(41)
Medical	0	33,966	(33,966)
Uniform, Tools and Equipment	54,000	55,294	(1,294)
Training Services	7,035	7,307	(272)
Repairs and Maintenance	0	6,426	(6,426)
Telephone	3,200	5,292	(1,092)
Operating Supplies	6,389	8,799	(2,410)
Ambulance and EMS Fund			
OP&F	154,000	176,558	(22,558)
Contracted Services	32,400	33,922	(1,522)
Other Expenses	5,000	5,155	(155)

Monitoring appropriations is vital for maintaining sound budgetary practices. By not monitoring appropriations, expenditures plus encumbrances could result in funds exceeding the total available fund balance. The Township must also ensure that appropriations as approved by the Board are accurately posted to the Township's ledgers that are used for monitoring purposes. Management and the Board rely on the Township's monthly financial reports when making budget and purchasing decisions, and therefore, should have the most timely and accurate information. If appropriations are not posted accurately, there is an increased risk that budgetary violations could occur.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011 AND 2010
(CONTINUED)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
DECEMBER 31, 2011 AND 2010

FINDING NUMBER 2011-05 (CONTINUED)

Material Noncompliance (Continued)

Expenditures Plus Encumbrances in Excess of Appropriations (Continued)

We recommend that the Township verify that 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 requirements.

Officials' Response: We will review and update the Townships financial procedures to ensure we received monthly budgeted vs. actual reporting. The Fiscal Officer will update the CER and enter data into the UAN system more frequently and the Financial Review Committee will provide oversight and ensure that entries are posted in a timely manner. The Fiscal Officer has agreed to give more detailed financial reports at the regular Trustee meetings and will also work with the Financial Review team to generate reports to show prior year encumbrances, current year revenue and appropriation expenditure amounts on a monthly basis so we can cross-reference our budgeted amounts with our expenditure amounts to keep our expenses on track. The Fiscal Officer will also update the CER on a quarterly basis and on December 1st of each year to ensure that our figures are accurately recorded.

3. FINDINGS FOR FEDERAL AWARDS
DECEMBER 31, 2011

Reporting – Noncompliance and Material Weakness

Finding Number	2011-06
CFDA Title and Number	#94.115 ARRA Assistance to Firefighters Grant
Federal Award Number / Year	2011
Federal Agency	United States Department of Homeland Security
Pass-Through Agency	None

A-102 Common Rule, 44 CFR section 13 and OMB Circular A-110, 2 CFR section 215.52 set forth financial reporting requirements for Federal grants. The Assistance to Firefighters Grant (CFDA #97.115) requires a semi-annual submission of a Federal Financial Report (FFR, SF-425). The FFR is to be submitted using the online e-grant system based on the calendar year beginning with the period after the award is made.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011 AND 2010
(CONTINUED)

3. FINDINGS FOR FEDERAL AWARDS (Continued)
DECEMBER 31, 2011

Reporting – Noncompliance and Material Weakness (Continued)

During our testing of the Township's semi-annual FFR submissions, we noted the FFR for the periods ending June 30, 2011 and December 31, 2011, the Township reported more cash disbursements, then were supported by documentation, which resulted in an incorrect unobligated fund balance being reported to the granting agency. The Township reported cash disbursements of \$527,410 and \$1,954,079 as of June 30 and December 31, 2011, respectively, while we recalculated actual disbursements of \$241,449 and \$1,789,619. This resulted in an overstatement of reported expenditures and an understatement of available fund balance of \$285,961 and \$164,460 at June 30 and December 31, 2011, respectively. This material noncompliance is considered a material weakness and qualification over the reporting compliance requirement of the ARRA – Assistance to Firefighters Grant.

Incorrect reporting of federal disbursements and unobligated fund balance could result in the Township spending and requesting more funds than are allowed in the grant agreement. Improper reporting could also result in a loss of funding and fewer opportunities for grants in the future.

We recommend the Township ensure the accuracy of information reported to granting agencies prior to submission.

Officials' Response: The Board of Trustees will establish a policy at our next regularly scheduled trustee meeting to require that all reports and financial documentation submitted to any granting agency have been approved by the Board of Trustees. The Board will establish a policy that requires any employee working with grant funds be required to meet with the Fiscal Officer on a twice-monthly basis to review the current status

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code Section 117.28: Finding for Recovery – Payment of Accumulated Sick Time for Justin Fischbach for \$688	Yes	Finding was repaid.
2009-002	Ohio Revised Code Section 117.28: Finding for Recovery – Payment of Longevity for Jacqueline L. Ketterer for \$600	Yes	Finding was repaid.
2009-003	Ohio Revised Code Section 9.38: Timely Depositing of Receipts	Yes	Condition was corrected.
2009-004	Ohio Revised Code Section 5705.41(B): Expenditures Plus Encumbrances in Excess of Appropriations	No	Reissued as Finding 2011-05.
2009-005	Material Weakness: Financial Reporting	No	Reissued as Finding 2011-02.
2009-006	Material Weakness: Bank Reconciliations	Yes	Condition was corrected.



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
NOVEMBER 8, 2012