



Dave Yost • Auditor of State

**MEAD TOWNSHIP
BELMONT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Mead Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the year then ended.

Basis for Adverse Opinion

During 2012, the Township made a lease payment in the amount of \$10,687 and charged the payment to the Road and Bridge Fund instead of the General Fund.

Also, during 2012 and 2011, the Township improperly paid a portion of the Township Trustees' salaries from the Road and Bridge Fund in the total amount of \$27,012 that should have been paid from the General Fund.

During 2010 and 2009, the Township improperly paid health insurance benefits for the Township Fiscal Officer from the Road and Bridge Fund in the total amount of \$8,345 that should have been paid from the General Fund. In 2008 and 2007, there was also an adjustment that was not posted to the financial statements for the same reason in the amount of \$24,499, which were carried forward in the current audit period.

Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

Had the posting errors noted in the preceding paragraphs been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have been decreased by \$70,543 and the Road and Bridge Fund (Special Revenue Fund Type) cash fund balance would have increased by \$70,543.

Adverse Opinion

In our opinion, except for the possible effects of the matters described in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above, do not present fairly, in all material respects, the combined fund cash balances of the General and Special Revenue Fund Types of Mead Township, Belmont County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Debt Service and Capital Projects Fund Types of Mead Township, Belmont County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1E to the financial statements, Mead Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 7, 2013

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**MEAD TOWNSHIP
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$29,065	\$136,406	\$0	\$0	\$165,471
Intergovernmental	66,888	250,613			317,501
Earnings on Investments	113	20			133
Miscellaneous	17,075	62,214			79,289
<i>Total Cash Receipts</i>	<u>113,141</u>	<u>449,253</u>	<u>0</u>	<u>0</u>	<u>562,394</u>
Cash Disbursements					
Current:					
General Government	46,612	3,289			49,901
Public Safety		29,903			29,903
Public Works	8,460	387,107			395,567
Health	26,052				26,052
Human Services	22,124	40,858			62,982
Capital Outlay		10,687			10,687
<i>Total Cash Disbursements</i>	<u>103,248</u>	<u>471,844</u>	<u>0</u>	<u>0</u>	<u>575,092</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>9,893</u>	<u>(22,591)</u>	<u>0</u>	<u>0</u>	<u>(12,698)</u>
<i>Fund Cash Balances, January 1</i>	<u>5,712</u>	<u>183,265</u>	<u>53</u>	<u>35</u>	<u>189,065</u>
Fund Cash Balances, December 31					
Restricted		121,345	53	35	121,433
Committed		39,329			39,329
Unassigned	15,605				15,605
<i>Fund Cash Balances, December 31</i>	<u>\$15,605</u>	<u>\$160,674</u>	<u>\$53</u>	<u>\$35</u>	<u>\$176,367</u>

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

**MEAD TOWNSHIP
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$37,252	\$215,774	\$0	\$0	\$253,026
Intergovernmental	62,217	236,820			299,037
Earnings on Investments	119	21			140
Miscellaneous	100				100
<i>Total Cash Receipts</i>	<u>99,688</u>	<u>452,615</u>	<u>0</u>	<u>0</u>	<u>552,303</u>
Cash Disbursements					
Current:					
General Government	50,383	4,979			55,362
Public Safety		27,389			27,389
Public Works	8,734	305,600			314,334
Health	26,098				26,098
Human Services	23,500	39,334			62,834
Capital Outlay		1,134			1,134
Debt Service:					
Principal Retirement	9,480	17,515			26,995
Interest and Fiscal Charges	1,207				1,207
<i>Total Cash Disbursements</i>	<u>119,402</u>	<u>395,951</u>	<u>0</u>	<u>0</u>	<u>515,353</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(19,714)</u>	<u>56,664</u>	<u>0</u>	<u>0</u>	<u>36,950</u>
<i>Fund Cash Balances, January 1</i>	<u>25,426</u>	<u>126,601</u>	<u>53</u>	<u>35</u>	<u>152,115</u>
Fund Cash Balances, December 31					
Restricted		155,398	53	35	155,486
Committed		27,867			27,867
Unassigned	5,712				5,712
<i>Fund Cash Balances, December 31</i>	<u>\$5,712</u>	<u>\$183,265</u>	<u>\$53</u>	<u>\$35</u>	<u>\$189,065</u>

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

**MEAD TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Mead Township, Belmont County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Shadyside Volunteer Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

**MEAD TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Federal Emergency Management Agency (FEMA) Fund – This fund receives Federal and State grant money to repair damages from natural disasters.

3. Debt Service Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township's Debt Service Fund had no receipt or disbursement activity for the years ended December 31, 2012 and 2011.

4. Capital Projects Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township's Capital Projects Fund had no receipt or disbursement activity for the years ended December 31, 2012 and 2011.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**MEAD TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**MEAD TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	\$5,433	\$1,534
Other time deposits (savings and NOW accounts)	170,934	187,531
Total deposits	176,367	189,065

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011, follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,439	\$113,141	\$5,702
Special Revenue	538,782	449,253	(89,529)
Total	\$646,221	\$562,394	(\$83,827)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$107,137	\$103,248	\$3,889
Special Revenue	662,697	471,844	190,853
Debt Service	53		53
Capital Projects	35		35
Total	\$769,922	\$575,092	\$194,830

**MEAD TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$116,356	\$99,688	(\$16,668)
Special Revenue	401,903	452,615	50,712
Total	\$518,259	\$552,303	\$34,044

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$126,160	\$119,402	\$6,758
Special Revenue	449,910	395,951	53,959
Debt Service	53		53
Capital Projects	35		35
Total	\$576,158	\$515,353	\$60,805

4. Property Tax

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

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

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

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

On December 31, 2010, FirstEnergy Generation Corp (FirstEnergy) ceased operations of the R. E. Burger biomass plant located within the taxing authority of the Shadyside Local School District (the School District). FirstEnergy, seeking to mitigate the tax revenue loss that the plant closure would have on the School District, entered into a personal property tax agreement with Belmont County and the School District on February 23, 2011. Under the agreement, FirstEnergy will pay a decreasing percentage of an established annual personal property tax of \$867,312 to Belmont County. The County will then distribute the payments accordingly to the School District and other government entities (including Mead Township) that would have received tax revenue from FirstEnergy. The agreement requires five annual payments. The first annual payment was received by Mead Township during fiscal year 2012. Four annual payments remain, with the final payment being due on February 1, 2016.

**MEAD TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Debt

Debt outstanding at December 31, 2012, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Lease-Purchase Agreement	\$5,253	5.89%
Ohio Department of Transportation (ODOT) Loan	<u>45,032</u>	0%
Total	<u><u>\$50,285</u></u>	

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

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

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

Year ending December 31:	<u>Lease- Purchase Agreement</u>	<u>ODOT Loan</u>
2013	\$5,343	\$11,258
2014		11,258
2015		11,258
2016		<u>11,258</u>
Total	<u><u>\$5,343</u></u>	<u><u>\$45,032</u></u>

6. Retirement Systems

The Township's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

7. Risk Management

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

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

**MEAD TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$9,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**MEAD TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>		
<u>2012</u>	<u>2011</u>	<u>2010</u>
\$12,655	\$13,171	\$10,901

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

8. Contingent Liabilities

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

9. Subsequent Event

The Mead Township Board of Trustees and the Village of Shadyside adopted a joint resolution by a majority of the members of both the Township Trustees and the legislative authority of the municipal corporation, creating a Joint Fire District comprising the municipal corporation and all or any portions of the Township as are mutually agreed upon. The Joint Fire District so created was given the name OR&W Fire District. While the resolution creating the Fire District was passed on October 25, 2011, the Fire District did not officially begin operations until April 1, 2013.



Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Mead Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2013, wherein we noted the Township has adopted Governmental Accounting Standards Board Statement No. 54 and we also noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We issued an adverse opinion on the 2012 and 2011 financial statements of the General and Special Revenue Fund Types due to the Township declining to make adjustments related to this audit period and from the prior audit periods.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2012-01 and 2012-02 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-004 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2012-01 through 2012-03.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

June 7, 2013

**MEAD TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-01

Finding for Adjustment and Material Weakness

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

The Township recorded the inception of lease proceeds for a tractor in 2007 to the General Fund. During 2012, the Township made a lease payment in the amount of \$10,687 and posted the payment to the Road and Bridge Fund Capital Outlay line item instead of the General Fund Debt Service Principal and Interest line items.

As a result of the foregoing facts, a finding for adjustment is hereby issued against the Township's General Fund in the amount of \$10,687 and in favor of the Road and Bridge Fund in the amount of \$10,687.

The Township Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Township Fiscal Officer utilize available authoritative resources to appropriately record and classify lease payment transactions.

FINDING NUMBER 2012-02

Finding for Adjustment and Material Weakness

Ohio Rev. Code Section 505.24(C) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Per Auditor of State Bulletin 2011-007, each township trustee that is compensated from funds other than the general fund must complete a certification prior to receiving his pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the township trustee spent during that pay period providing services related to each fund to be charged.

A portion of each of the Township Trustees' salaries were paid from the Road and Bridge Fund in the amount of \$13,506 in 2012 and \$13,506 in 2011 and no prior certification or any other documentation was on file to support these payments from the Road and Bridge Fund.

As a result of the foregoing facts, a finding for adjustment is hereby issued against the Township's General Fund in the total amount of \$27,012 and in favor of the Road and Bridge Fund in the amount of \$27,012.

**MEAD TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-02 (Continued)

Finding for Adjustment and Material Weakness (Continued)

The Township Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Township Trustees complete the certification form as required when their salaries are paid from funds other than the general fund. (See AOS Bulletin 2011-007 for further guidance)

FINDING NUMBER 2012-03

Noncompliance Citation

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

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

Then and Now Certificate – If the fiscal officer can certify that both at the time the contract or order was made "then" and at the time that the fiscal officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**MEAD TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-03 (Continued)

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

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Although the obligations paid by the Township had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 27% and 18% of transactions tested for 2012 and 2011, respectively, and there was no evidence of a “Then and Now” certificate being utilized. In addition, the Township Trustees did not establish by resolution an amount that blanket certificates could not exceed. We also noted the Township used super blankets for numerous expenditures which did not meet the criteria of professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense.

Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend the Township Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, “then and now” certificates should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Township Fiscal Officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation. In addition, the Township Trustees should annually adopt a resolution to indicate an amount that blanket certificates cannot exceed. We also recommend the Township only use super blankets for those purchases that fit the definition of professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense.

**MEAD TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-04

Significant Deficiency

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised April 2013) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Township did not have control procedures in place to ensure the accuracy of the Township Fiscal Officer's receipt and expenditure line item account postings. Throughout the audit period, numerous receipts and expenditures were not always posted to accurate receipt classifications based upon the source of the receipt and the nature of the expenditure.

On December 31, 2010, the Township was included within an agreement with FirstEnergy Generation Corp (FirstEnergy) to mitigate the tax revenue losses through a personal property tax agreement over the next five years. The first annual payment was received by Mead Township in 2012 and was posted to Property Taxes instead of Miscellaneous Receipts – Payment in Lieu of Taxes in the amount of \$6,023 to the General Fund, \$52,701 to the Road and Bridge Fund and \$7,529 to the Fire Fund.

In addition, in 2012, the Township posted a Street Lighting Deregulation receipt as Property Taxes instead of Intergovernmental in the amount of \$2,898 to the General Fund, \$24,793 to the Road and Bridge Fund, and \$3,542 to the Fire Fund.

During 2011, the Township made a lease debt payment in the amount of \$10,687 and posted the payment to the General Fund Capital Outlay line item instead of Principal and Interest Debt Service line items.

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

We recommend the Township Fiscal Officer utilize available authoritative resources to appropriately classify receipt and disbursement transactions.

Officials' Response: We did not receive a response from the Township for the findings above.

**MEAD TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Finding for Adjustment and Material Weakness - Ohio Rev. Code Sections 505.24(C), 507.09, and 5705.10(H) regarding Fiscal Officer's and Trustee's Health insurance being paid out of a fund other than the General Fund. Therefore, a finding for adjustment was issued against the General Fund, in the amount of \$24,499, and in favor of the Road and Bridge Fund.	No	As noted in the current year <i>Independent Auditor's Report</i> the Township has not posted the finding for adjustment and similar situations occurred in the current audit period. See Finding Nos. 2012-01 and 2012-02.
2010-001	Finding for Adjustment and Material Weakness - Ohio Rev. Code Sections 507.09, and 5705.10(H) regarding Fiscal Officer's Health insurance being paid out of a fund other than the General Fund. Therefore, a finding for adjustment was issued against The General Fund, in the amount of \$8,345, and in favor of the Road and Bridge Fund.	No	As noted in the current year <i>Independent Auditor's Report</i> the Township has not posted the finding for adjustment and similar situations occurred in the current audit period. See Finding Nos. 2012-01 and 2012-02.
2010-002	Ohio Rev. Code Section 5705.41(D)(1) - not always obtaining certification of available funds prior to incurring obligations.	No	Not Corrected; Repeated as Finding No. 2012-03.
2010-003	Ohio Admin. Code Section 117-2-02(A), Ohio Rev. Code Sections 5705.40 and 5705.36(A)(3) - not recording Ohio Department of Transportation on-behalf-of receipts and expenditures to the accounting records or financial statements.	Yes	N/A.
2010-004	Significant Deficiency - not recording various receipts into the proper account classifications.	No	Not Corrected; Repeated as Finding No. 2012-04.
2010-005	Material Weakness - not properly posting budgeted receipts and appropriations into the accounting system.	Yes	N/A.

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Dave Yost • Auditor of State

MEAD TOWNSHIP

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 9, 2013**