



Dave Yost • Auditor of State



OLMSTED TOWNSHIP  
CUYAHOGA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Olmsted Township, Cuyahoga County, (the Township) as of and for the years ended December 31, 2013 and 2012.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these 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, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Olmsted Township, Cuyahoga County as of December 31, 2013 and 2012, 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(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014, 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

October 3, 2014

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$805,555	\$2,583,980		\$3,389,535
Charges for Services	91,976	261,260		353,236
Licenses, Permits and Fees	369,289	2,339		371,628
Fines and Forfeitures		11,730		11,730
Intergovernmental	1,065,009	1,076,809		2,141,818
Earnings on Investments	907	83		990
Miscellaneous	67,663	63,890		131,553
<i>Total Cash Receipts</i>	<u>2,400,399</u>	<u>4,000,091</u>	<u>0</u>	<u>6,400,490</u>
<b>Cash Disbursements</b>				
Current:				
General Government	1,033,431	285,957		1,319,388
Public Safety	266,580	2,823,643		3,090,223
Public Works	130,463	208,938		339,401
Health		52,554		52,554
Conservation-Recreation		4,000		4,000
Capital Outlay	183,212	45,873	34,293	263,378
Debt Service:				
Principal Retirement	125,000			125,000
Interest and Fiscal Charges	83,141			83,141
<i>Total Cash Disbursements</i>	<u>1,821,827</u>	<u>3,420,965</u>	<u>34,293</u>	<u>5,277,085</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>578,572</u>	<u>579,126</u>	<u>(34,293)</u>	<u>1,123,405</u>
<i>Fund Cash Balances, January 1</i>	<u>670,688</u>	<u>425,524</u>	<u>38,305</u>	<u>1,134,517</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		1,004,650		1,004,650
Committed			4,012	4,012
Unassigned (Deficit)	1,249,260			1,249,260
<i>Fund Cash Balances, December 31</i>	<u>\$1,249,260</u>	<u>\$1,004,650</u>	<u>\$4,012</u>	<u>\$2,257,922</u>

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

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$783,917	\$2,648,453		\$3,432,370
Charges for Services	47,668	330,589		378,257
Licenses, Permits and Fees	425,779	826		426,605
Fines and Forfeitures	0	23,590		23,590
Intergovernmental	910,275	502,779		1,413,054
Earnings on Investments	1,250	124		1,374
Miscellaneous	39,338	25,350		64,688
<i>Total Cash Receipts</i>	<u>2,208,227</u>	<u>3,531,711</u>	<u>0</u>	<u>5,739,938</u>
<b>Cash Disbursements</b>				
Current:				
General Government	944,188	78,873		1,023,061
Public Safety	501,674	3,226,836		3,728,510
Public Works	130,312	183,775		314,087
Health	0	54,117		54,117
Capital Outlay	258,888	53,936	128,782	441,606
Debt Service:				
Principal Retirement	125,000			125,000
Interest and Fiscal Charges	87,673			87,673
<i>Total Cash Disbursements</i>	<u>2,047,735</u>	<u>3,597,537</u>	<u>128,782</u>	<u>5,774,054</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>160,492</u>	<u>(65,826)</u>	<u>(128,782)</u>	<u>(34,116)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	0	57,000	0	57,000
Transfers Out	(57,000)	0	0	(57,000)
Other Financing Uses	(297)	0	0	(297)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(57,297)</u>	<u>57,000</u>	<u>0</u>	<u>(297)</u>
<i>Net Change in Fund Cash Balances</i>	103,195	(8,826)	(128,782)	(34,413)
<i>Fund Cash Balances, January 1</i>	<u>567,493</u>	<u>434,350</u>	<u>167,087</u>	<u>1,168,930</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		380,429	34,293	414,722
Committed		45,095	4,012	49,107
Unassigned (Deficit)	670,688			670,688
<i>Fund Cash Balances, December 31</i>	<u>\$670,688</u>	<u>\$425,524</u>	<u>\$38,305</u>	<u>\$1,134,517</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, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

The Township participates in four jointly governed organizations, joint ventures and a public entity risk pool and is associated with a related organization. Notes 7 and 9 to the financial statements provides additional information for these entities. These organizations are:

Ohio Government Risk Management Plan

Southwest Council of Governments

Northeast Ohio Public Energy Council

Olmsted Joint Economic Development District

Chestnut Grove Union Cemetery

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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:

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.

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

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds: None: The debt service of the Township is funded through the General Fund.

**4. Capital Project Funds**

These funds account for and report 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 had the following significant capital project fund.

Issue II Fund - The Township received a grant from the County of Cuyahoga to clear and grub the Greenbrooke Retention Basin, to grade the existing basin, to seed and mulch the site and to install a new chain link fence around the perimeter of the site. Also known as the Greenbrooke Retention Basin Maintenance Project.

**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

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

appropriations at the fund, function or object level of control for the Township's General Fund, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 Fiscal Office/Budget Commission must approve estimated resources.

**3. Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. 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.

**OLMSTED TOWNSHIP  
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**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.

**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. 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:

	<u>2013</u>	<u>2012</u>
Demand deposits	\$1,444,485	\$321,401
Total deposits	<u>1,444,485</u>	<u>321,401</u>
 STAR Ohio	 813,437	 813,116
Total investments	<u>813,437</u>	<u>813,116</u>
Total deposits and investments	<u><u>\$2,257,922</u></u>	<u><u>\$1,134,517</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Township;

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

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

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,389,687	\$2,400,399	\$10,712
Special Revenue	3,466,660	4,000,092	533,432
Total	\$5,856,347	\$6,400,491	\$544,144

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,127,214	\$1,871,785	\$255,429
Special Revenue	3,625,684	3,635,350	(9,666)
Capital Projects	34,293	34,293	0
Total	\$5,787,191	\$5,541,428	\$245,763

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,165,216	\$2,208,227	\$43,011
Special Revenue	5,708,448	3,588,711	(2,119,737)
Total	\$7,873,664	\$5,796,938	(\$2,076,726)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,205,592	\$2,141,206	\$64,386
Special Revenue	5,482,981	3,660,094	1,822,887
Capital Projects	128,782	128,782	0
Total	\$7,817,355	\$5,930,082	\$1,887,273

**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

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

**5. Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$1,855,000	4%

The Township authorized the purchase of a new dump truck and plowing equipment for Township road maintenance through a Municipal Lease-Purchase Agreement with Santander Bank NA in October 2013. The purchase price was \$242,639 and will be paid in 5 instalments of \$50,960 annually, commencing June 2014 and ending June 2018.

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

	General Obligation Bonds	Capital Lease
Year ending December 31:		
2014	\$203,141	\$50,960
2015	218,141	50,960
2016	217,523	50,960
2017	216,710	50,960
2018	217,278	50,960
2019-2023	1,084,255	0
Total	\$2,157,048	\$254,800

**6. Retirement Systems**

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees, inclusive of the full-time Police Officers, 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 2013 and 2012, OP&F participants contributed 10% of their wages (January 1, 2012 through June 30, 2013) and 10.75% (July 1, 2013 through December 31, 2013), respectively. For 2013 and 2012, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages, respectively. For 2013 and 2012, full-time police OPERS members contributed to OPERS an amount equal to 12.6% and 12.1% of full-time police members' wages and the Township contributed an amount equaling 18.1%, respectively, of participants' gross salaries; other OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**7. Risk Management**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**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:

	2013	2012
Cash and investments	\$13,774,304	\$13,100,381
Actuarial liabilities	(\$7,698,395)	(\$6,687,193)

**8. Contingent Liabilities**

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

**9. 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 in 2013 and \$15,000 in 2012.

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

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY  
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contacting the Southwest Council of Governments in Parma Heights, Ohio.

**B. Northeast Ohio Public Energy Council**

The Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. In 2013 and 2012, 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. During 2013 and 2012, the Township contributed \$52,554 and \$54,117, respectively, to Chestnut Grove Union Cemetery.

**D. Joint Economic Development District**

Olmsted Township and the City of Olmsted Falls, in an effort to promote economic growth and economic development, and in accordance with state law, entered into a contract to create the Olmsted Joint Economic Development District (JEDD). The legislative authorities of the City and Township each authorized and directed authorization to enter into a contract for the JEDD. The JEDD was incorporated on September 7, 2001 and JEDD activities initiated December 15, 2001.

A Board of Directors governs the JEDD. The Board is composed of the following members: (a) one member representing the City, appointed by the Mayor and approved by the City Council; (b) one member representing the Township, appointed by the Township Trustees; and (c) one member selected by the two members listed. The Board exercises control over the operation of JEDD through budgeting, appropriations, contracting and designating management. The control by the city and township is limited to the representation on the board. The Township made \$5,000 and \$0 in contributions to the JEDD in 2013 and 2012, respectively.

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
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**10. Subsequent Events**

In addition to the debt described above, the Township has defeased the Series 2004 Improvement Bond as of June 2014, which is not included in the amortization schedule provided in Section 5 (Debt). Debt principal outstanding at December 31, 2013 was \$1,855,000 and the new bond issuance is in the amount of \$1,820,000.00. This disclosure does not include the related defeased debt or assets, since trustee assets should provide sufficient resources to retire the debt.

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
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# 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

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

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 Olmsted Township, Cuyahoga County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated October 3, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***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 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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-002 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, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

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.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 3, 2014

OLMSTED TOWNSHIP  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

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

1. Proper Encumbering

<i>Finding Number</i>	2013-001
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NONCOMPLIANCE

Ohio Rev. Code §5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering an 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 collections 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 Revised 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 Township 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.

Eight out of 15 and 11 out of 16 transactions reviewed during 2012 and 2013, respectively, were not certified prior to the purchase commitment. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Township

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

utilized super blanket purchase orders during the audit period but did not close the 2013 super blankets at year end, leaving them extended beyond the fiscal year.

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. Additionally, the fiscal officer should close Super Blanket Purchase Orders at year end.

**Official's Response:** The Board of Trustees recognize that we did follow the steps outlines in our previous audit response, but now it has been brought to our attention that properly documenting "then and now" certificates by the fiscal officer would have completely corrected this finding. While the Board cannot physically perform that task, we are committed to ensuring that moving forward the fiscal officer does make that affirmation when appropriate. At the post audit conference it was brought to our attention that the Blanket and Super Blanket Certifications should not extend past the current year. Therefore moving forward our Certificates will have an expiration date.

**2. Financial Reporting**

<i>Finding Number</i>	2013-002
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MATERIAL WEAKNESS

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.

In 2013, the following activity was improperly recorded, and adjustments to the financial statements and where applicable, the accounting records were made by the fiscal officer:

- Intergovernmental Revenue and miscellaneous income totaling \$72,444 was improperly recorded as Special Items and Other Financing Resources in the General Fund.
- Homestead and Rollback intergovernmental revenue was improperly recorded as property tax revenue in the Special Revenue Funds totaling \$142,350.
- ARRA Assistance to Firefighters Grant expenditures totaling \$34,293 should have been posted to the Capital Projects Fund in UAN.

In 2012, the following activity was improperly recorded, and adjustments to the financial statements and where applicable, the accounting records were made by the fiscal officer:

- County receipts for the Greenbrooke Basin Project and other funds from various cities (intergovernmental revenue) was improperly recorded as miscellaneous revenue in the

**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

General Fund totaling \$214,975.

- Principal debt payments of \$125,000 were improperly classified as interest and fiscal charges in the General Fund.
- Restricted fund balances totaling \$95,527 in the Special Revenue Funds were misclassified as Assigned (CDBG Fund) and Committed (Ambulance Service Fund).
- ARRA Assistance to Firefighters Grant expenditures totaling \$128,262 should have been recorded in the Capital Project fund in UAN.

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.

**Official's Response:** The Board of Trustees recognizes that we did not follow the steps outlined in our previous audit response as far as establishing a Financial Review Committee who meets monthly to review the revenue and expenses of the Township. Our goal was to have the Fiscal Officer keep all up to date on the financial status of the township as well as the forecast to ensure long term fiscal soundness of the Township.

In addition, we have identified that the Fiscal Officer needs training on the UAN, so we have arranged for our Fiscal Officer to meet with M. Funk, who is a traveling clerk. Our Fiscal Officer also attended the new UAN training. Based on the findings, we concur that additional training should be sought as these findings are related to proper fund posting and organization of accounts.

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**OLMSTED TOWNSHIP  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Ohio Revised Code 5705.41 (D)(1): Proper Encumbering	No	Repeated as Finding 2013-001
2011-02	Material Weakness: Financial Reporting	No	Repeated as Finding 2013-002
2011-03	Ohio Revised Code 507.09(A)(8)- Finding For Recovery- Fiscal Officer Compensation	Yes	Finding No Longer Valid and was repaid in full.
2011-04	Ohio Revised Code 505.24(A)(5)-Finding for Recovery-Trustee Compensation	No	Finding No Longer Valid, however was not fully repaid.
2011-05	Ohio Revised Code 5705.41 B: Expenditures Plus Encumbrances in Excess of Appropriations	No	Partially corrected. Moved to management letter.
2011-06	Reporting-ARRA Assistance to Firefighters Grant	Yes	Finding No Longer Valid

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# 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  
OCTOBER 16, 2014**