



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  
53322 Cash Ridge Rd  
Shadyside, Ohio 43947-9740

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, 2014 and 2013.

### ***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 §117.38 and Ohio Administrative Code §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 §117.38 and Ohio Administrative Code §117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code §117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Basis for Adverse Opinion on Regulatory Basis of Accounting***

During 2010 and 2009, the Township improperly paid health insurance benefits for the Township Fiscal Officer from the Road and Bridge Fund (Special Revenue Fund Type) 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. Of the total amount of \$32,844, \$30,242 was carried forward in the current audit period as unadjusted differences.

Due to the impact that posting the entire amount of the unadjusted differences would have on the General Fund, the Township posted a portion of the unadjusted differences during this audit period, which are reflected in the accompanying financial statements as a prior period adjustment (See Note 3).

Had the remaining unadjusted differences 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 \$30,242 and the Road and Bridge Fund (Special Revenue Fund Type) cash fund balance would have increased by \$30,242.

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

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* 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, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code §117.38 and Ohio Administrative Code §117-2-03(D) permit, 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, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code §117.38 and Ohio Administrative Code §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 26, 2015, 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 26, 2015

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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, 2014**

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$31,425	\$123,342	\$0	\$0	\$154,767
Intergovernmental	37,335	165,877	0	0	203,212
Miscellaneous	10,337	46,120	0	0	56,457
<i>Total Cash Receipts</i>	<u>79,097</u>	<u>335,339</u>	<u>0</u>	<u>0</u>	<u>414,436</u>
<b>Cash Disbursements</b>					
Current:					
General Government	71,496	0	0	0	71,496
Public Safety	12	11,667	0	0	11,679
Public Works	500	246,572	0	0	247,072
<i>Total Cash Disbursements</i>	<u>72,008</u>	<u>258,239</u>	<u>0</u>	<u>0</u>	<u>330,247</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	<u>7,089</u>	<u>77,100</u>	<u>0</u>	<u>0</u>	<u>84,189</u>
<b>Other Financing Receipts</b>					
Other Financing Sources	95	0	0	0	95
<i>Total Other Financing Receipts</i>	<u>95</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>95</u>
<i>Net Change in Fund Cash Balances</i>	7,184	77,100	0	0	84,284
<i>Fund Cash Balances, January 1</i>	<u>(19,888)</u>	<u>180,640</u>	<u>53</u>	<u>35</u>	<u>160,840</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	133,812	53	35	133,900
Committed	0	123,928	0	0	123,928
Unassigned (Deficit)	(12,704)	0	0	0	(12,704)
<i>Fund Cash Balances, December 31</i>	<u>(\$12,704)</u>	<u>\$257,740</u>	<u>\$53</u>	<u>\$35</u>	<u>\$245,124</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, 2013**

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$31,672	\$123,461	\$0	\$0	\$155,133
Intergovernmental	38,050	251,325	0	0	289,375
Earnings on Investments	86	13	0	0	99
Miscellaneous	7,033	47,287	0	0	54,320
<i>Total Cash Receipts</i>	<u>76,841</u>	<u>422,086</u>	<u>0</u>	<u>0</u>	<u>498,927</u>
<b>Cash Disbursements</b>					
Current:					
General Government	52,290	8,193	0	0	60,483
Public Safety	0	52,333	0	0	52,333
Public Works	9,402	354,607	0	0	364,009
Health	21,028	0	0	0	21,028
Debt Service:					
Principal Retirement	0	16,511	0	0	16,511
Interest and Fiscal Charges	0	90	0	0	90
<i>Total Cash Disbursements</i>	<u>82,720</u>	<u>431,734</u>	<u>0</u>	<u>0</u>	<u>514,454</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(5,879)</u>	<u>(9,648)</u>	<u>0</u>	<u>0</u>	<u>(15,527)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	0	77,000	0	0	77,000
Transfers Out	0	(77,000)	0	0	(77,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(5,879)	(9,648)	0	0	(15,527)
<i>Fund Cash Balances, January 1 - Restated See Note 3</i>	<u>(14,009)</u>	<u>190,288</u>	<u>53</u>	<u>35</u>	<u>176,367</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	62,146	53	35	62,234
Committed	0	118,494	0	0	118,494
Unassigned (Deficit)	(19,888)	0	0	0	(19,888)
<i>Fund Cash Balances, December 31</i>	<u>(\$19,888)</u>	<u>\$180,640</u>	<u>\$53</u>	<u>\$35</u>	<u>\$160,840</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, 2014 AND 2013**

**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, (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 and cemetery maintenance.

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

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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 for constructing, maintaining, and repairing Township roads.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**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's Debt Service Fund had no receipt or disbursement activity for the years ended December 31, 2014 and 2013.

**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's Capital Project Fund had no receipt or disbursement activity for the years ended December 31, 2014 and 2013.

**D. 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 control, 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 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 re-appropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 4.

**E. Fund Balance**

Fund balance is divided into three 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:

**MEAD TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Fund Balance (Continued)**

**1. 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.

**2. 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.

**3. 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.

**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:

	2014	2013
Demand deposits	<u>\$245,124</u>	<u>\$160,840</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. RESTATEMENT OF FUND BALANCE**

The beginning fund balances of the General and Road and Bridge Funds (Special Revenue Fund Type) were restated by the Township on the financial statements for the year ended December 31, 2013. This activity was to reflect the Township posting a portion of the prior audit adjustments to the accounting records in the amount of \$29,614. Reflecting this adjustment had the following effect on fund balances at January 1, 2013:

Fund Type	Fund Balance at 12/31/2012	Partial posting of prior audit adjustments	Restated Fund Balances at 01/01/13
General	\$15,605	(\$29,614)	(\$14,009)
Special Revenue	160,674	29,614	190,288

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2014 and 2013, follows:

**2014 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,636	\$79,192	\$14,556
Special Revenue	268,871	335,339	66,468
Total	<u>\$333,507</u>	<u>\$414,531</u>	<u>\$81,024</u>

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,135	\$72,711	(\$2,576)
Special Revenue	297,721	259,400	38,321
Debt Service	53	0	53
Capital Projects	35	0	35
Total	<u>\$367,944</u>	<u>\$332,111</u>	<u>\$35,833</u>

**2013 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,063	\$76,841	(\$14,222)
Special Revenue	387,238	499,086	111,848
Total	<u>\$478,301</u>	<u>\$575,927</u>	<u>\$97,626</u>

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,570	\$82,966	\$19,604
Special Revenue	505,476	513,062	(7,586)
Debt Service	53	0	53
Capital Projects	35	0	35
Total	<u>\$608,134</u>	<u>\$596,028</u>	<u>\$12,106</u>

**MEAD TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Rev. Code § 5705.10(C), real estate and manufactured home settlements, homestead and rollback, and public utility reimbursements were recorded in the wrong fund.

Contrary to Ohio Rev. Code § 5705.10(I), at December 31, 2014 and 2013, respectively, the General Fund had a cash deficit balance of \$12,704 and \$19,888, respectively.

Contrary to Ohio Rev. Code § 5705.41(B), expenditures exceeded appropriation authority in the General and Road and Bridge Funds by \$2,576 and \$30,320, respectively, for the year ended December 31, 2014, and in the Gasoline Tax and Road and Bridge Funds by \$18,615 and \$1,139, respectively, for the year ended December 31, 2013.

**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.

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

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

**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, 2014 AND 2013  
(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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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, 2014 AND 2013  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

<b><u>Contributions to OTARMA</u></b>	
<b><u>2013</u></b>	<b><u>2014</u></b>
\$10,392	\$10,056

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**

**Oil/Gas Lease**

The Township entered into an Oil and Gas Lease. The lease is for 3.7018 acres of property owned by the Township and is effective April 13, 2015, for a five year period with XTO Energy, Inc. The Township received an agreed upon bonus amount per acre check of \$29,614.40 on July 20, 2015. This money was receipted into the Township's General Fund and then used to make adjustments for prior audit un-posted errors to the Road and Bridge Fund (Special Revenue Fund Type) during this audit period.

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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*

Mead Township  
Belmont County  
53322 Cash Ridge Road  
Shadyside, Ohio 43947-9740

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, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code §117.38 and Ohio Administrative Code §117-2-03(D) permit. We issued an adverse opinion on the 2014 and 2013 financial statements of the General and Special Revenue Fund Types due to the Township not able to make all of the adjustments 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. 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 Findings 2014-008 and 2014-009 described in the accompanying Schedule of Findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2014-001 through 2014-007.

***Township'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.



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

October 26, 2015

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-001**

**Finding for Recovery – Repaid Under Audit**

Ohio Rev. Code §505.24(A) and (B) set the maximum amounts of compensation for Township Trustees based on a township's annual budget amount.

The Township's annual budget for 2014 fell between \$250,001-500,000. Based on this budget amount, Ohio Rev. Code §505.24(A) and (B) limit the annual salary of the Trustees to \$8,490.

The Township, however, did not pay Trustee Edward Good in accordance with Ohio Rev. Code. Trustee Good was paid \$9,003 in 2014. As a result, Trustee Good was over-compensated by \$513 in 2014.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery is hereby issued for public money illegally expended against Edward D. Good, Township Trustee, and his surety company, Ohio Township Association Risk Management Authority, Bond No. 662-2R, jointly and severally, in the amount of \$513, in favor of the General Fund, in the amount of \$359.10 and in favor of the Road and Bridge Fund in the amount of \$153.90.

On July 20, 2015, the Township withheld from Edward Good's paycheck, check # 15998, the amount of \$513 to repay the finding.

**Officials' Response:** Corrected and will be monitored per financial statement review going forward.

**FINDING NUMBER 2014-002**

**Finding for Recovery – Repaid Under Audit**

Ohio Rev. Code §505.24(A) and (B) set the maximum amounts of compensation for Township Trustees based on a township's annual budget amount.

The Township's annual budget for 2014 fell between \$250,001-500,000. Based on this budget amount, Ohio Rev. Code §505.24(A) and (B) limit the annual salary of the Trustees to \$8,490.

The Township, however, did not pay Trustee David Mellott in accordance with Ohio Rev. Code. Trustee Mellott was paid \$9,003 in 2014. As a result, Trustee Mellott was over-compensated by \$513 in 2014.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery is hereby issued for public money illegally expended against David W. Mellott, Township Trustee, and his surety company, Ohio Township Association Risk Management Authority, Bond No. 662-3R, jointly and severally, in the amount of \$513, in favor of the General Fund, in the amount of \$359.10 and in favor of the Road and Bridge Fund in the amount of \$153.90.

On July 20, 2015, the Township withheld from David Mellott's paycheck, check # 16004, the amount of \$513 to repay the finding.

**Officials' Response:** Corrected and will be monitored per financial statement review going forward.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-003**

**Finding for Recovery – Repaid Under Audit**

Ohio Rev. Code §505.24(A) and (B) set the maximum amounts of compensation for Township Trustees based on a township's annual budget amount.

The Township's annual budget for 2014 fell between \$250,001-500,000. Based on this budget amount, Ohio Rev. Code §505.24(A) and (B) limit the annual salary of the Trustees to \$8,490.

The Township, however, did not pay Trustee Gregg Warren in accordance with Ohio Rev. Code. Mr. Warren was appointed as Township Trustee on January 6, 2014 so the pro-rated salary for 2014 should be \$8,364. Trustee Warren was paid \$8,870 in 2014. As a result, Trustee Warren was over-compensated by \$506 in 2014.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery is hereby issued for public money illegally expended against Gregg S. Warren, Township Trustee, and his surety company, Ohio Township Association Risk Management Authority, Bond No. 662-4R, jointly and severally, in the amount of \$506, in favor of the General Fund.

On July 20, 2015, the Township withheld from Gregg Warren's paycheck, check # 16002, the amount of \$506 to repay the finding.

**Officials' Response:** Corrected and will be monitored per financial statement review going forward.

**FINDING NUMBER 2014-004**

**Finding for Recovery – Repaid Under Audit**

Ohio Rev. Code §507.09(A) and (D) set the maximum amounts of compensation for Township Fiscal Officers based on a township's annual budget amount.

The Township's annual budget for 2014 fell between \$250,001-500,000. Based on this budget amount, Ohio Rev. Code §507.09(A) and (D) limit the annual salary of the Fiscal Officer to \$12,733.

The Township, however, did not pay Fiscal Officer David Albright, Jr. in accordance with Ohio Rev. Code. Fiscal Officer Albright was paid \$14,145 in 2014. As a result, Fiscal Officer Albright was over-compensated by \$1,412 in 2014.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery is hereby issued for public money illegally expended against David L. Albright, Jr., Township Fiscal Officer, and his surety company, Travelers Casualty and Surety Company of America, Bond No. 105571213-0731, jointly and severally, in the amount of \$1,412 in favor of the General Fund.

On July 20, 2015 check #16003, and on August 7, 2015, check # 16019, the Township withheld from David Albright's paycheck, the amounts of \$1,158 and \$254 to repay the finding.

**Officials' Response:** Corrected and will be monitored per financial statement review going forward.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2014-005**

**Noncompliance**

Ohio Rev. Code §5705.10(C) states all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

In 2014, real estate and manufactured homes settlements and homestead and rollback was posted in the amounts of \$13,224 to the Road and Bridge Fund and should have been posted to the General Fund.

In 2013, public utility reimbursement was posted in the amounts of \$8,413 and \$3,991 in the General and Road and Bridge funds, respectively, however, the amount of \$12,404 should have been posted to the Fire District Fund.

The adjustments noted above have been agreed to by the Township's management and have been posted to the Township's records and are reflected in the accompanying financial statements.

The Fiscal Officer should post all receipts and deductions to the proper funds in accordance with the semi-annual tax apportionment sheets as received from the County Auditor.

**Officials' Response:** Corrected and will be monitored per financial statement review going forward.

**FINDING NUMBER 2014-006**

**Noncompliance**

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

At December 31, 2014 and 2013, the General Fund had a cash deficit balance of \$12,704 and \$19,888, respectively.

This deficit was due to the Township partially posting audit adjustments from prior audit periods (See Note 3) and the current audit adjustments. These audit adjustments occurred due to receipts and/or expenditures posted to incorrect funds.

The Township Trustees need to take steps to monitor spending in the General Fund and/or generate a new funding source for the General Fund.

**Officials' Response:** The Board will address through previous referenced review and action on financial ability and process to schedule a structured payback in proper account.

**FINDING NUMBER 2014-007**

**Noncompliance**

Ohio Rev. Code §5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-007 (Continued)**

**Noncompliance - Ohio Rev. Code §5705.41(B) (Continued)**

During 2014, expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Variance
General	\$70,135	\$72,711	(\$2,576)
Road and Bridge	184,505	214,825	(30,320)

During 2013, expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Variance
Gasoline Tax	\$94,500	\$113,115	(\$18,615)
Road and Bridge	252,135	253,274	(1,139)

The Township should regularly monitor appropriations and expenditures and, if necessary, file amendments with the County Auditor to ensure that expenditures from each fund do not exceed the total appropriations. This will help to reduce the risk of disbursements exceeding appropriations and will add a measure of control over the Township's budgetary process.

**Officials' Response:** The Board will address through the above referenced review and action plan along with consulting County Auditor for a best practice policy.

**FINDING NUMBER 2014-008**

**Material Weakness**

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 March 2015) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records 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. Also, the Ohio Township Handbook (revised March 2015) provides suggested fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-008  
(Continued)**

**Material Weakness (Continued)**

The Township did not always accurately classify receipts, disbursements, and fund balance in 2014 and 2013.

The following table reflects 2014 receipt, disbursement, and fund balance reclassifications:

<b>Fund</b>	<b>Account Type</b>	<b>Amount</b>	<b>Description</b>
<b>Receipts:</b>			
General	Miscellaneous	\$4,472	Payments in lieu of taxes from First Energy posted as taxes.
Road and Bridge	Miscellaneous	39,752	Payments in lieu of taxes from First Energy posted as taxes.
Fire Levy	Miscellaneous	5,466	Payments in lieu of taxes from First Energy posted as taxes.
General	Intergovernmental	2,538	Public Utility Reimbursement posted as other financing sources.
Road and Bridge	Intergovernmental	15,505	Public Utility Reimbursement posted as taxes.
Fire Levy	Intergovernmental	6,202	Public Utility Reimbursement posted as taxes.
Road and Bridge	Intergovernmental	21,706	Public Utility Reimbursement posted as miscellaneous.
General	Intergovernmental	5,251	Homestead and rollback posted as taxes.
Road and Bridge	Intergovernmental	17,395	Homestead and rollback posted as taxes.
General	Miscellaneous	4,270	Monies received for pipeline right-of-way and easement agreement posted as sale of assets.
<b>Disbursements:</b>			
General	General Government	15,639	Employee health and life insurance payments classified as human services.
Road and Bridge	Public Works	9,116	Employee health and life insurance payments classified as human services.
<b>Fund Balance:</b>			
Road and Bridge	Committed	94,314	Fund balance for inside millage classified as Restricted.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-008  
(Continued)**

**Material Weakness (Continued)**

The following table reflects 2013 receipt, disbursement, and fund balance reclassifications:

Fund	Account Type	Amount	Description
<b>Receipts:</b>			
General	Miscellaneous	\$4,472	Payments in lieu of taxes from First Energy posted as taxes.
Road and Bridge	Miscellaneous	39,752	Payments in lieu of taxes from First Energy posted as taxes.
Fire Levy	Miscellaneous	5,466	Payments in lieu of taxes from First Energy posted as taxes.
General	Intergovernmental	2,538	Public Utility Reimbursement posted as taxes.
Road and Bridge	Intergovernmental	15,505	Public Utility Reimbursement posted as taxes.
Fire Levy	Intergovernmental	6,202	Public Utility Reimbursement posted as taxes.
General	Intergovernmental	2,667	Homestead and rollback posted as taxes.
Road and Bridge	Intergovernmental	8,689	Homestead and rollback posted as taxes.
<b>Disbursements:</b>			
Road and Bridge	Debt Service – Principal	16,511	Debt service payments classified as capital outlay and public works.
Road and Bridge	Debt Service Interest	90	Debt service payments classified as capital outlay and public works.
General	General Government	6,438	Employee health and life insurance payments classified as human services.
Road and Bridge	Public Works	54,278	Employee health and life insurance payments classified as human services.
<b>Fund Balance:</b>			
Road and Bridge	Committed	88,880	Fund balance for inside millage classified as Restricted.

The Township has agreed to the above reclassifications and adjustments are reflected in the accompanying financial statements.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-008  
(Continued)**

**Material Weakness (Continued)**

The Township should utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions and fund balance. This guidance will help ensure the Township's Fiscal Officer to properly classify receipt and expenditures based on the source of the receipt and purpose of the expenditure and that the financial statements of the Township accurately reflect the cash balance in accordance with GASB Statement No. 54 reporting requirements. The Township Fiscal Officer may refer to Auditor of State Bulletin 2011-004 for additional guidance.

**Officials' Response:** The Board will enact an Ohio Township Handbook suggested account classification process to monitor compliance with the budget, prepare annual reports in the format required by the Auditor of State. The board of trustees will recommend the Fiscal Officer refer to Auditor of State Bulletin 2011-004 for guidance and implementation.

**FINDING NUMBER 2014-009**

**Material Weakness**

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Fiscal Officer did not properly post budgeted receipts or appropriations, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and appropriation resolutions to the amounts posted to the accounting system throughout the year.

The following tables detail these variances for 2014:

Fund	Amount per Last Amended Certificate	Amount posted to Accounting System (UAN)	Variance
General	\$64,636	\$77,430	\$12,794
Gasoline Tax	93,571	87,026	(6,545)
Road and Bridge	151,001	109,400	(41,601)
Motor Vehicle License Tax	24,300	19,558	(4,742)
Fire District	0	11,667	11,667

Fund	Amount per Appropriation Resolution	Amount posted to Accounting System (UAN)	Variance
General	\$69,888	\$89,888	\$20,000
Road and Bridge	180,177	199,977	19,800

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-009 (Continued)**

**Material Weakness (Continued)**

The following tables detail these variances for 2013:

Fund	Amount per Last Amended Certificate	Amount posted to Accounting System (UAN)	Variance
General	\$91,063	\$93,275	\$2,212
Road and Bridge	193,664	169,500	(24,164)
Fire District	0	5,980	5,980
Miscellaneous Special	87,000	90,000	(3,000)

Fund	Amount per Appropriation Resolution	Amount posted to Accounting System (UAN)	Variance
Gasoline Tax	\$94,500	\$144,500	\$50,000
Road and Bridge	249,639	294,139	44,500
Fire District	45,840	51,818	5,978

The Fiscal Officer should record estimated receipts per the Official Certificate of Estimated Resources and appropriations per the Appropriation Resolution, as well as all amendments. In addition, the Fiscal Officer should periodically present budget versus actual results to the Board of Trustees. As part of their monitoring responsibilities, the Board of Trustees should review this information and should inquire to the Fiscal Officer if they note apparent errors in the budget or actual data and should also use this information to determine if they should amend estimated revenues or appropriations.

**Officials' Response:** The Board will address through the above regular referenced financial statement review process and amend estimated revenue or appropriations.

**MEAD TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Finding for Adjustment and Material Weakness - Ohio Rev. Code §§ 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 in its entirety. See Note 3 to the financial statements.
2010-001	Finding for Adjustment and Material Weakness - Ohio Rev. Code §§ 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 in its entirety. See Note 3 to the financial statements.
2012-01	Finding for Adjustment and Material Weakness – Ohio Rev. Code §5705.10(H) regarding Township recording lease payment in General Fund instead of Road and Bridge Fund.	Yes	N/A.
2012-02	Finding for Adjustment and Material Weakness - Ohio Rev. Code §505.24(C) regarding township trustee compensation paid from fund that no prior certification or any other documentation was on file to support.	Yes	N/A.
2012-03	Noncompliance Citation - Ohio Rev. Code §5705.41(D)(1) – not always obtaining certification of available funds prior to incurring obligations.	Yes	N/A.
2012-04	Significant Deficiency – not recording various receipts and disbursements into the proper account classifications.	No	Not corrected; Reissued as Finding No. 2014-008.

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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  
NOVEMBER 19, 2015**