



Dave Yost • Auditor of State

**OLIVE TOWNSHIP
NOBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings	22

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Olive Township
Noble County
42416 Keithtown Road
Caldwell, Ohio 43724

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Olive Township, Noble 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 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 opinions.

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 (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 Section 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.

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 Olive Township, Noble County, 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 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 August 21, 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

August 21, 2015

**OLIVE TOWNSHIP
NOBLE 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	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$28,499	\$60,954	\$0	\$89,453
Intergovernmental	11,742	128,361	0	140,103
Earnings on Investments	35	7	0	42
Miscellaneous	8,716	12,145	0	20,861
<i>Total Cash Receipts</i>	<u>48,992</u>	<u>201,467</u>	<u>0</u>	<u>250,459</u>
Cash Disbursements				
Current:				
General Government	34,719	3,676	0	38,395
Public Safety	0	14,690	0	14,690
Public Works	9,958	176,012	0	185,970
Health	14,515	1,905	0	16,420
<i>Total Cash Disbursements</i>	<u>59,192</u>	<u>196,283</u>	<u>0</u>	<u>255,475</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,200)</u>	<u>5,184</u>	<u>0</u>	<u>(5,016)</u>
<i>Fund Cash Balances, January 1</i>	<u>111,160</u>	<u>61,125</u>	<u>1,352</u>	<u>173,637</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	1,352	1,352
Restricted	0	27,278	0	27,278
Committed	0	39,031	0	39,031
Assigned	41,423	0	0	41,423
Unassigned	59,537	0	0	59,537
<i>Fund Cash Balances, December 31</i>	<u>\$100,960</u>	<u>\$66,309</u>	<u>\$1,352</u>	<u>\$168,621</u>

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

**OLIVE TOWNSHIP
NOBLE 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	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$27,337	\$57,881	\$0	\$85,218
Intergovernmental	125,016	117,463	0	242,479
Earnings on Investments	60	12	0	72
Miscellaneous	59,731	5,481	0	65,212
<i>Total Cash Receipts</i>	<u>212,144</u>	<u>180,837</u>	<u>0</u>	<u>392,981</u>
Cash Disbursements				
Current:				
General Government	37,637	3,575	0	41,212
Public Safety	904	0	0	904
Public Works	49,143	201,367	0	250,510
Health	14,046	2,500	0	16,546
Capital Outlay	0	16,878	0	16,878
<i>Total Cash Disbursements</i>	<u>101,730</u>	<u>224,320</u>	<u>0</u>	<u>326,050</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>110,414</u>	<u>(43,483)</u>	<u>0</u>	<u>66,931</u>
Other Financing Receipts (Disbursements)				
Advances In	10,000	10,000	0	20,000
Advances Out	(10,000)	(10,000)	0	(20,000)
Other Financing Sources	0	198	0	198
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>198</u>	<u>0</u>	<u>198</u>
<i>Net Change in Fund Cash Balances</i>	<u>110,414</u>	<u>(43,285)</u>	<u>0</u>	<u>67,129</u>
<i>Fund Cash Balances, January 1</i>	<u>746</u>	<u>104,410</u>	<u>1,352</u>	<u>106,508</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	1,352	1,352
Restricted	0	33,570	0	33,570
Committed	0	27,555	0	27,555
Assigned	19,561	0	0	19,561
Unassigned	91,599	0	0	91,599
<i>Fund Cash Balances, December 31</i>	<u>\$111,160</u>	<u>\$61,125</u>	<u>\$1,352</u>	<u>\$173,637</u>

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

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 Olive Township, Noble 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 and fire protection. The Township contracts with the Caldwell Volunteer Fire Company to provide fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis 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 Administration Code Section 117-2-03(D) permit.

C. Deposits

The Township had an interest bearing checking account and a certificate of deposit.

D. 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:

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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.

3. Permanent Fund

This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting Township's programs (for the benefit of the Township or its citizenry). The Township had the following significant permanent fund:

Permanent Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2014 and 2013 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:

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

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.

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

2. EQUITY IN POOLED DEPOSITS

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

	2014	2013
Demand deposits	\$167,269	\$172,285
Certificates of deposit	1,352	1,352
Total deposits	\$168,621	\$173,637

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,877	\$48,992	(\$885)
Special Revenue	181,967	201,467	19,500
Permanent	0	0	0
Total	\$231,844	\$250,459	\$18,615

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,277	\$59,192	\$11,085
Special Revenue	216,279	196,283	19,996
Permanent	0	0	0
Total	\$286,556	\$255,475	\$31,081

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,367	\$212,144	\$93,777
Special Revenue	153,760	181,035	27,275
Permanent	0	0	0
Total	\$272,127	\$393,179	\$121,052

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$28,265	\$101,730	(\$73,465)
Special Revenue	253,227	224,320	28,907
Permanent	1	0	1
Total	\$281,493	\$326,050	(\$44,557)

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Rev. Code § 5705.10(I), the Township made certain illegal advances.

Contrary to Ohio Rev. Code § 5705.38, the Township did not file their 2013 permanent appropriations with the County Auditor until April 1, 2013.

Contrary to Ohio Rev. Code § 5705.40, certain supplemental appropriations were not approved by the Trustees.

Contrary to Ohio Rev. Code § 5705.41(B), expenditures exceeded appropriations in certain funds at December 31, 2013.

Contrary to Ohio Rev. Code § 5705.41(D)(3), a threshold was not established for blanket certificates and certain super blanket certificates were not considered for re-occurring or reasonably predictable expenditures.

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.

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

5. RETIREMENT SYSTEM

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

6. 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.

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

6. 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 (the latest information available):

	<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 \$2,000.

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

6. RISK MANAGEMENT (Continued)

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
3,180	3,689

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.

The Township also provides life and accidental death and dismemberment coverage to elected officials through private carriers and insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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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

Olive Township
Noble County
42416 Keithtown Road
Caldwell, Ohio 43724

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 Olive Township, Noble 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 August 21, 2015, 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 Findings 2014-001 through 2014-003, 2014-005 through 2014-007, and 2014-009 through 2014-011 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, 2014-002, and 2014-004 through 2014-009.

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

August 21, 2015

**OLIVE TOWNSHIP
NOBLE 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

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 121.22(C) states all meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body shall be present in person at a meeting open to the public to be considered present or to vote at the meeting and for purposes of determining whether a quorum is present at the meeting. It further states that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section.

Through review of the minutes and the advertisement placed in the local newspaper, the Township held its monthly meetings on the second Thursday of each month at 6:30 pm. During 2013, the Township could not provide minutes for the months of January through July, September and December.

The Township should follow Ohio Rev. Code § 121.22 in regards to public meetings and the recording of meeting activity.

FINDING NUMBER 2014-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. By unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. If the office of trustee is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Trustee salaries in 2013 and the Trustees' insurance payments in 2014 were paid 100% from the Gasoline Tax Fund which did not follow the payroll certifications for both years. As a result, the Gasoline Tax Fund was overcharged \$4,320 and the General Fund was undercharged \$4,320. This adjustment was posted to the Township's accounting system and also reflected in the accompanying financial statements.

The Township should review Ohio Rev. Code §§ 505.24 and 507.09, and adopt formal administrative procedures regarding signed certifications of the allocation of payroll by each Trustee for each monthly pay period. The Fiscal Officer should not distribute the Trustees' salary until such signed certification is obtained. If they are paid 100% out of the General Fund, no certification is required.

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

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

FINDING NUMBER 2014-003

Material Weakness

Auditor of State Bulletin (AOS) 2011-004 mandated Governmental Accounting Standard Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for financial statements for periods beginning after June 15, 2010. This Bulletin required entity's to formally adopt a fund balance policy.

The Township improperly reported the Road and Bridge Fund's cash fund balance as restricted instead of reporting the cash fund balance as committed during 2014 and 2013. The Special Revenue Fund type cash fund balance has been reclassified on the 2014 and 2013 financial statements.

The Township should review AOS Bulletin 2011-004 for proper reporting of cash fund balances.

FINDING NUMBER 2014-004

Noncompliance Citation

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.

Auditor of State Audit Bulletin 97-003 indicates that advances are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment. Advances must also indicate a statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose which the fund receiving the cash (the "debtor" fund) was established. There also must be approval via a formal resolution of the taxing authority of the subdivision which includes a specific statement that the transaction is an advance and an indication of the money (fund) from which it is expected that repayment will be made.

During 2013 the Township made the following illegal advances:

- \$5,000 from the Road and Bridge Fund to the General Fund on January 12, 2013;
- \$5,000 from the Road and Bridge Fund to the General Fund on March 13, 2013.

The General Fund advanced the monies, in the amount of \$10,000, back to the Road and Bridge Fund on June 3, 2013. The Township should review Auditor of State Bulletin 97-003 and advance funds in accordance with the Bulletin, noting their approval in detail in the minutes.

FINDING NUMBER 2014-005

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 5705.38 states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year and balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2014-005 (Continued)

Noncompliance Citation/Material Weakness (Continued)

Ohio Rev. Code § 5705.38 states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year and balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Also, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

The Township did not file its 2013 permanent appropriations with the County Auditor until April 1, 2013 and minutes were not available for the approval of this measure; therefore, this resulted in expenditures exceeding appropriations in every fund for the period January 1, 2013 through March 31, 2013.

On or about the first day of each fiscal year, the Board of Trustees should pass a temporary appropriation measure for meeting the ordinary expenses until the permanent measure is adopted. Additionally, the adoption of this measure should be documented in the minutes.

FINDING NUMBER 2014-006

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. "Transfers" may be made by resolution or ordinance from one appropriation item to another.

Several 2013 supplemental appropriations ranging from sixty-one cents to thirty-eight thousand seven hundred and fifty-nine dollars posted to the UAN system were not approved by the Board of Trustees and five 2014 supplemental appropriations ranging from four dollars to fourteen thousand three hundred thirty-six dollars posted to the UAN system were not approved by the Board of Trustees. Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

The Fiscal Officer should maintain approval of all supplemental appropriations in the minutes prior to posting to the UAN system.

FINDING NUMBER 2014-007

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

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

Noncompliance Citation/Material Weakness (Continued)

The Township's expenditures exceeded appropriations as of December 31, 2013 as follows:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General	\$28,265	\$101,730	(\$73,465)
Cemetery	750	2,500	(1,750)

As a result, excessive spending over budgetary could result in deficit fund balances.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2014-008

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(3) states, in part, that fiscal officers may prepare so-called "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by 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. In addition, this code states that fiscal officers may prepare so-called "super blanket" certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund 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 fiscal year.

During the current audit period, the Township did not establish a threshold for any blanket certificates. In addition, we noted in 2014 the Fiscal Officer used super blanket certificates for thirty percent of the expenditures tested that were not considered re-occurring or reasonably predictable.

The Township should establish a threshold and follow guidelines as set forth in 5705.41(D), if they intend to continue the use of blanket purchase orders. In addition, the fiscal officer should prepare "super blanket" certificates under the guidelines of the above noted revised code section. For expenditures which are not recurring or reasonably predictable operating expenses, regular blanket purchase orders or individual purchase orders should be utilized.

FINDING NUMBER 2014-009

Noncompliance Citation/Material Weakness

Ohio Admin. Code § 117-2-02(A) states that 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

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

Noncompliance Citation/Material Weakness

During 2013, the Fiscal Officer posted the following activity in the wrong receipt/disbursement classifications:

- Homestead and rollback receipts of \$4,083 were posted to taxes in the General Fund rather than intergovernmental receipts;
- Tangible personal property reimbursements were posted to taxes rather than intergovernmental receipts in the General Fund in the amount of \$5,231 and in the Road and Bridge Fund in the amount of \$11,412; and
- \$3,156 of permissive motor vehicle license tax receipts were posted to taxes rather than intergovernmental receipts.

During 2013, the Fiscal Officer posted the following activity in the wrong funds:

- Homestead and rollback receipts for the second half of the year were posted to the Gasoline Tax Fund in the amount of \$4,062, rather than intergovernmental receipts of \$2,281 in the General Fund and \$5,864 in the Road and Bridge Fund; and
- \$59,832 of oil and gas lease monies were posted to the Road and Bridge Fund rather than the General Fund.

During 2014, the Fiscal Officer posted the following activity in the wrong receipt/disbursement classifications:

- Homestead and rollback receipts were posted to taxes rather than intergovernmental receipts in the General Fund in the amount of \$2,601 and in the Road and Bridge Fund in the amount of \$5,530;
- Tangible personal property reimbursements of \$3,331 and \$13,312 were posted to taxes rather than intergovernmental receipts in the General Fund and Road and Bridge Fund, respectively; and
- \$1,565 of FEMA receipts were posted to other receipts rather than intergovernmental receipts;
- Permissive motor vehicle license tax receipts of \$3,199 were posted to taxes rather than intergovernmental receipts.

During 2014, the Fiscal Officer posted the following activity in the wrong fund:

- The monies from the sale of a backhoe and a broom purchased from the Road and Bridge Fund were posted to the General Fund rather than the Road and Bridge Fund.

These adjustment and reclassification errors were due to a lack of management oversight.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to help ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures. The Township made the fund adjustments to the Township's accounting system and the adjustments and reclassifications have been made to the accompanying 2014 and 2013 financial statements.

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-010

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, 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.

At December 31, 2013, appropriations as approved by the Board of Trustees did not agree to the amounts in the Township's ledgers for the following funds:

Fund	Appropriations per Board of Trustees	Appropriations per Township's Accounting System	Variance
General	\$26,128	\$128,315	(\$102,187)
Gasoline Tax	115,155	115,738	(583)
Cemetery	750	2,500	(1,750)

At December 31, 2014, appropriations as approved by the Board of Trustees did not agree to the amounts in the Township's ledgers for the following fund:

Fund	Appropriations per Board of Trustees	Appropriations per Township's Accounting System	Variance
Road and Bridge	\$77,700	\$74,700	\$3,000

At December 31, 2013, estimated revenue as approved by the Budget Commission did not agree to the amounts posted to the Township's ledgers as follows:

Fund	Estimated Revenue per Budget Commission	Estimated Revenue per Township's Accounting System	Variance
General	\$118,367	\$136,508	(\$18,141)
Road and Bridge	50,070	68,349	(18,279)
Cemetery	1,750	2,750	(1,000)

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

The Fiscal Officer should accurately post appropriations and estimated revenue as approved by the Board of Trustees and the County Budget Commission, respectively. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**OLIVE TOWNSHIP
NOBLE COUNTY**

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

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

FINDING NUMBER 2014-011

Material Weakness

The Township has one cemetery trust fund on its ledgers as a private purpose trust. This trust fund has been on the Township's ledgers for more than thirty years. No trust agreement was maintained by the Township to determine the principal portion of the trust funds. This made it difficult to determine the amount that should be classified as non-spendable and the amount to be restricted per GASB 54.

After discussion with the Fiscal Officer, it was determined this fund should be a permanent fund. The Township has adjusted the cash fund balance to be a permanent fund type. The 2014 and 2013 financials have been adjusted to reflect the cash fund balance as a permanent fund, there was no receipt or disbursement activity in 2014 and 2013.

The Township should acquire the trust agreements or other supporting documentation to determine the proper classification per GASB 54 and to determine what portion of the balance can be spent according to the trust agreements. In addition, the Township should reclassify the fund as a permanent cemetery fund on its records.

Officials Response: Management has declined to respond to any of the aforementioned findings.

**OLIVE TOWNSHIP
NOBLE 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; <i>Explain</i>
2012-001	Ohio Rev. Code § 5705.41(D)(1) – Prior certification was not obtained for 7% of expenditures tested in 2011 and 17% of expenditures tested in 2012.	Yes	Corrected
2012-002	Ohio Rev. Code § 5705.10 – The Township placed \$14,079 in FEMA funds into the Gasoline Tax Fund instead of the special FEMA Fund.	Yes	Corrected
2012-003	Ohio Admin. Code § 117-2-02(A) – There were several mispostings to the Township’s accounting system.	No	Not Corrected; Repeated as Finding 2014-009.
2012-004	Material Weakness – Estimated revenue as approved by the Budget Commission and appropriations as approved by the Board of Trustees did not agreed to the amounts posted to the Township’s accounting system for several funds in 2011 and 2012.	No	Not Corrected; Repeated as Finding 2014-010.



Dave Yost • Auditor of State

OLIVE TOWNSHIP

NOBLE 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
SEPTEMBER 3, 2015**