



Dave Yost • Auditor of State



**OLIVE TOWNSHIP  
MEIGS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Olive Township  
Meigs County  
P.O. Box 242  
Tuppers Plains, Ohio 45783-0242

To the Board of Trustees:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Olive Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

### ***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 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 § 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 § 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, 2015 and 2014, or changes in financial position thereof for the years then ended.

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

The Township did not adjust the 2013 or 2012 financial statements to reflect the findings for adjustment.

Contrary to the Ohio Revised Code, the Township allocated the trustees' salaries to restricted funds without certifying hours spent providing these services to the Township. The Township has declined to adjust its financial statements or accounting records. Had these expenditures been debited to the General Fund, the net effect would be a decrease in the General Fund cash balance at December 31, 2013 of \$55,529 and increases in the Motor Vehicle License Tax, the Gasoline Tax, the Road and Bridge and the Cemetery Special Levy cash fund balances of \$13,972, \$35,289, \$2,016 and \$4,252, respectively.

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

In our opinion, because of the effects of the December 31, 2013 and 2012 fund cash balance misstatements discussed 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 cash balances of Olive Township, Meigs County, Ohio, as of December 31, 2015 and 2014, 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 August 23, 2016, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

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

August 23, 2016

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**OLIVE TOWNSHIP  
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$20,154	\$93,400	\$113,554
Intergovernmental	81,083	180,515	261,598
Earnings on Investments	865	244	1,109
Miscellaneous	1,795	657	2,452
<i>Total Cash Receipts</i>	<u>103,897</u>	<u>274,816</u>	<u>378,713</u>
<b>Cash Disbursements</b>			
Current:			
General Government	59,014	0	59,014
Public Safety	0	72,106	72,106
Public Works	0	140,573	140,573
Health	0	18,441	18,441
Debt Service:			
Principal Retirement	5,515	0	5,515
Interest and Fiscal Charges	127	0	127
<i>Total Cash Disbursements</i>	<u>64,656</u>	<u>231,120</u>	<u>295,776</u>
<i>Net Change in Fund Cash Balances</i>	39,241	43,696	82,937
<i>Fund Cash Balances, January 1</i>	<u>22,254</u>	<u>126,719</u>	<u>148,973</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	22,640	170,415	193,055
Unassigned (Deficit)	38,855	0	38,855
<i>Fund Cash Balances, December 31</i>	<u>\$61,495</u>	<u>\$170,415</u>	<u>\$231,910</u>

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

OLIVE TOWNSHIP  
MEIGS COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Fiduciary Fund Type
	<u>Agency</u>
<i>Fund Cash Balance, January 1</i>	<u>\$4,790</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$4,790</u></u>

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

**OLIVE TOWNSHIP  
MEIGS 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	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$19,343	\$89,322	\$108,665
Intergovernmental	27,248	124,753	152,001
Earnings on Investments	569	161	730
Miscellaneous	1,659	996	2,655
<i>Total Cash Receipts</i>	<u>48,819</u>	<u>215,232</u>	<u>264,051</u>
<b>Cash Disbursements</b>			
Current:			
General Government	40,717	500	41,217
Public Safety	0	33,739	33,739
Public Works	60	119,258	119,318
Health	0	15,103	15,103
Debt Service:			
Principal Retirement	10,575	0	10,575
Interest and Fiscal Charges	670	0	670
<i>Total Cash Disbursements</i>	<u>52,022</u>	<u>168,600</u>	<u>220,622</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,203)</u>	<u>46,632</u>	<u>43,429</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	0	27	27
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>27</u>	<u>27</u>
<i>Net Change in Fund Cash Balances</i>	(3,203)	46,659	43,456
<i>Fund Cash Balances, January 1</i>	<u>25,457</u>	<u>80,060</u>	<u>105,517</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	126,719	126,719
Assigned	1,565	0	1,565
Unassigned (Deficit)	20,689	0	20,689
<i>Fund Cash Balances, December 31</i>	<u>\$22,254</u>	<u>\$126,719</u>	<u>\$148,973</u>

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

OLIVE TOWNSHIP  
MEIGS COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Fiduciary Fund Type
	<u>Agency</u>
<i>Fund Cash Balance, January 1</i>	<u>\$4,790</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$4,790</u></u>

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

**OLIVE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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, Meigs 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 participates in the Ohio Township Association Risk Management Authority (OTARMA), a 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits**

The Township had one primary, interest-bearing checking account during the period.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**OLIVE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

Fire Dept Special Levy Fund - This fund receives property tax money to provide fire protection.

**3. Fiduciary Fund (Agency Fund)**

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are for holding resources for individuals, organizations or other governments. The Township established the agency fund to account for unclaimed monies.

**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. 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 reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**F. 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:

**OLIVE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**F. 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 of regulations of other governments; or is imposed by law through constitutional provisions.

**2. 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.

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2015	2014
Demand deposits	<u>\$236,700</u>	<u>\$153,763</u>

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

**OLIVE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,169	\$103,897	\$37,728
Special Revenue	201,494	274,816	73,322
Total	\$267,663	\$378,713	\$111,050

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,665	\$66,255	\$2,410
Special Revenue	286,366	232,474	53,892
Total	\$355,031	\$298,729	\$56,302

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,415	\$48,819	\$9,404
Special Revenue	189,124	215,259	26,135
Total	\$228,539	\$264,078	\$35,539

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,465	\$52,953	(\$488)
Special Revenue	238,783	170,100	68,683
Total	\$291,248	\$223,053	\$68,195

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$487, in the Fire Department Special Levy Fund by \$14,688, and in the Cemetery Special Levy Fund by \$1,418 for the year ended December 31, 2014. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Cemetery Special Levy Fund by \$2,664 for the year ended December 31, 2015.

**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.

**OLIVE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**4. PROPERTY TAX (Continued)**

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 2015 and 2014, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**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.

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, 2015, 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.

**OLIVE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

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>2015</u>	<u>2014</u>
\$9,921	\$9,663

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.

**7. Contingent Liabilities**

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



# 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  
Meigs County  
P.O. Box 242  
Tuppers Plains, Ohio 45783-0242

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 the cash balances, receipts, and disbursements by fund type of Olive Township, Meigs County, Ohio, (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated August 23, 2016 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 General and Special Revenue Funds because the Township declined to fully adjust its financial statements or accounting records for the audit findings. These adjustments result in a material misstatement of General Fund and of the Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund and Cemetery Special Levy Fund (Special Revenue Funds) cash balances as of December 31, 2013 and 2012.

### ***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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Entity's internal control. Accordingly, we have not opined on it.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-001 and 2015-005 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 2015-001 through 2015-004.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

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

August 23, 2016

**OLIVE TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2015-001**

**Finding for Adjustment, Noncompliance and Material Weakness**

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustee's compensation should be allocated. The Auditor of State issued Bulletin 2013-002 on June 7, 2013 explaining that the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law. House Bill 153 modified Ohio Rev. Code § 505.24 to require township trustees paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Each township trustee that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee spent during that pay period providing services related to each fund to be charged.

During 2013 and 2012, the Township paid a portion of Trustee salaries and related payroll withholdings from restricted funds (Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, and Cemetery Special Levy Fund) without Trustees certifying hours spent providing these services to the Township. Further, the Township provided no other documentation showing the hours spent providing services to the Township to support compensation from restricted funds.

As a result of the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$55,529 and in favor of the Motor Vehicle License Tax Fund in the amount of \$13,972, the Gasoline Tax Fund in the amount of \$35,289, the Road and Bridge Fund in the amount of \$2,016, and the Cemetery Special Levy Fund in the amount of \$4,252. The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Township adopt formal administrative procedures for elected official compensation including requiring certification of time spent by Trustees on activities chargeable to restricted funds. Once these administrative procedures are established, the Fiscal Officer should charge the trustee salaries and related benefits to the applicable funds in accordance with the certifications. A sample certification is attached to Auditor of State Bulletin 2011-007.

**FINDING NUMBER 2015-002**

**Noncompliance**

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

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

**OLIVE TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-002 (Continued)**

**Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)**

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificates - Fiscal officers may prepare so-called “blanket” certificates not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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

38% of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Also, the Fiscal officer prepared "blanket certificates, but a maximum amount was not established by resolution adopted by a majority of the members of the legislative authority.

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

The Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

In addition, the Board of Trustees should establish by resolution a maximum amount for blanket certificates.

**OLIVE TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-003**

**Noncompliance**

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Township would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See *C.B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); *Burkholder v. Lauber*, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

At December 31, 2014, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system in the General Fund by \$2,067, in the Road & Bridge Fund by \$18,000, in the Fire Department Special Levy Fund by \$22,134, and in the Cemetery Special Levy Fund by \$2,824.

At December 31, 2015, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system in the Road & Bridge Fund by \$1,216, and in the Cemetery Special Levy Fund by \$3,000.

The Board of Trustees should approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.

**FINDING NUMBER 2015-004**

**Noncompliance**

Ohio Rev. Code § 5705.41 (B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2014, expenditures exceeded appropriations in the General Fund by \$487, in the Fire Department Special Levy Fund by \$14,688, and in the Cemetery Special Levy Fund by \$1,418.

At December 31, 2015, expenditures exceeded appropriations in the Cemetery Special Levy Fund by \$2,664.

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**OLIVE TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**FINDING NUMBER 2015-005**

**Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following errors were noted in the financial statements that required audit adjustments or reclassifications:

In 2014:

- General Fund unassigned fund balance of \$1,565 was reclassified as assigned fund balance.

In 2015:

- General Fund intergovernmental receipts of \$3,934 were incorrectly posted as taxes;
- General Fund unassigned fund balance of \$22,640 was reclassified as assigned fund balance;
- Road & Bridge Fund intergovernmental receipts of \$4,123 were incorrectly posted as taxes;
- Cemetery Special Levy Fund intergovernmental receipts of \$1,881 were incorrectly posted as taxes; and
- Fire Department Special Levy Fund intergovernmental receipts of \$5,327 were incorrectly posted as taxes.

The audited financial statements and the Township's UAN accounting system have been adjusted for the issues noted above.

The Fiscal Officer should review the Township handbook and Auditor of State Bulletin 2011-004 for guidance to ensure the financial statements are complete and accurate.

**Officials' Response:** We did not receive responses from Officials to the above findings.

**OLIVE TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

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>
2013-001	Ohio Rev. Code §121.22(C) - not maintaining minute records for regular and special meetings.	Yes	
2013-002	Ohio Rev. Code Chapter 133 - outstanding debt that was a not legal method of debt for the Township.	No	Not Corrected. Reissued as a verbal comment due to debt being paid off during the audit period.
2013-003	Finding for Adjustment, Noncompliance and Material Weakness for Ohio Rev. Code §505.24(C) - Trustees' pay being paid from restricted funds without the certification forms from the Trustees.	No	Partially corrected. Certifications used in 2014 and 2014 however Reissued as Finding Number 2015-001 due to the Finding for Adjustment not yet being posted.
2013-004	Ohio Rev. Code §5705.38 - not passing an annual appropriation measure for 2012 until March 6, 2012 and the resolution did not include dollar amounts.	Yes	Corrected.
2013-005	Ohio Rev. Code §5705.41(D)(1) - 100% of expenditures not being encumbered in 2012 and 67% not being encumbered in 2013.	No	Not Corrected. Reissued as Finding Number 2015-002.
2013-006	Noncompliance and Material Weakness for Ohio Admin Code §117-2-02(A) - numerous material misstatements to the 2012 and 2013 financial statements.	No	Not Corrected. Reissued as a material weakness in Finding 2015-005.
2013-007	Noncompliance and Material Weakness for Ohio Admin. Code §117-2-02(C)(1) - not incorporating budgetary receipts and disbursements into the financial accounting system.	No	Not Corrected. Reissued as 2015-003 to address the appropriations and reissued in the Management Letter to address the receipt portion of the comment.
2013-008	Material Weakness for lack of segregation of duties.	No	Partially Corrected. Reissued in the Management Letter.

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# Dave Yost • Auditor of State

**OLIVE TOWNSHIP**

**MEIGS 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 6, 2016**