

**MECCA TOWNSHIP
TRUMBULL COUNTY
Regular Audit
For The Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
Mecca Township
PO Box 567
Cortland, OH 44410

We have reviewed the *Independent Auditor's Report* of the Mecca Township, Trumbull County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mecca Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 27, 2014

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**MECCA TOWNSHIP
TRUMBULL COUNTY**

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INDEPENDENT AUDITOR'S REPORT

July 30, 2014

Mecca Township
Trumbull County
PO Box 567
Cortland, OH 44410

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position, thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Mecca Township, Trumbull County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MECCA TOWNSHIP
TRUMBULL 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	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 55,064	\$ 111,260	\$ -	\$ -	\$ 166,324
Charges for Services	-	77,175	-	-	77,175
Licenses, Permits and Fees	21,735	5,950	-	-	27,685
Intergovernmental	43,883	123,946	76,222	-	244,051
Earnings on Investments	1,726	686	-	30	2,442
Miscellaneous	1,076	5,645	-	-	6,721
<i>Total Cash Receipts</i>	<u>123,484</u>	<u>324,662</u>	<u>76,222</u>	<u>30</u>	<u>524,398</u>
Cash Disbursements					
Current:					
General Government	90,180	49,494	-	-	139,674
Public Safety	-	76,252	-	-	76,252
Public Works	2,346	52,618	-	-	54,964
Health	6,554	9,412	-	-	15,966
Conservation-Recreation	17,551	-	-	-	17,551
Capital Outlay	21,342	5,055	99,390	-	125,787
Debt Service:					
Principal Retirement	-	27,447	-	-	27,447
Interest and Fiscal Charges	-	10,516	-	-	10,516
<i>Total Cash Disbursements</i>	<u>137,973</u>	<u>230,794</u>	<u>99,390</u>	<u>-</u>	<u>468,157</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(14,489)	93,868	(23,168)	30	56,241
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	3,385	1,600	-	-	4,985
Transfers In	-	-	1,131	-	1,131
Transfers Out	-	(1,131)	-	-	(1,131)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3,385</u>	<u>469</u>	<u>1,131</u>	<u>-</u>	<u>4,985</u>
<i>Net Change in Fund Cash Balances</i>	(11,104)	94,337	(22,037)	30	61,226
<i>Fund Cash Balances, January 1</i>	<u>84,259</u>	<u>309,888</u>	<u>22,037</u>	<u>3,532</u>	<u>419,716</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	3,270	3,270
Restricted	-	404,225	-	292	404,517
Assigned	2,848	-	-	-	2,848
Unassigned	70,307	-	-	-	70,307
<i>Fund Cash Balances, December 31</i>	<u>\$ 73,155</u>	<u>\$ 404,225</u>	<u>\$ -</u>	<u>\$ 3,562</u>	<u>\$ 480,942</u>

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

**MECCA TOWNSHIP
TRUMBULL COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$ 54,362	\$ 110,648	\$ -	\$ -	\$ -	\$ 165,010
Charges for Services	-	76,930	-	-	-	76,930
Licenses, Permits and Fees	22,878	6,700	-	-	-	29,578
Intergovernmental	50,243	106,263	-	-	-	156,506
Earnings on Investments	1,925	586	-	-	27	2,538
Miscellaneous	789	1,400	-	-	-	2,189
<i>Total Cash Receipts</i>	<u>130,197</u>	<u>302,527</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>432,751</u>
Cash Disbursements						
Current:						
General Government	103,103	49,232	-	-	-	152,335
Public Safety	-	78,756	-	-	-	78,756
Public Works	2,673	113,938	-	-	-	116,611
Health	9,352	5,476	-	-	-	14,828
Conservation-Recreation	13,883	-	-	-	-	13,883
Capital Outlay	14,204	6,500	-	-	-	20,704
Debt Service:						
Principal Retirement	-	25,001	25,843	-	-	50,844
Interest and Fiscal Charges	-	11,500	972	-	-	12,472
<i>Total Cash Disbursements</i>	<u>143,215</u>	<u>290,403</u>	<u>26,815</u>	<u>-</u>	<u>-</u>	<u>460,433</u>
<i>Excess of Receipts Over Disbursements</i>	(13,018)	12,124	(26,815)	-	27	(27,682)
Other Financing Receipts (Disbursements)						
Transfers In	-	-	26,815	-	-	26,815
Transfers Out	-	(26,815)	-	-	-	(26,815)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>(26,815)</u>	<u>26,815</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(13,018)	(14,691)	-	-	27	(27,682)
<i>Fund Cash Balances, January 1</i>	<u>97,277</u>	<u>324,579</u>	<u>-</u>	<u>22,037</u>	<u>3,505</u>	<u>447,398</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	3,270	3,270
Restricted	-	309,888	-	22,037	262	332,187
Assigned	1,709	-	-	-	-	1,709
Unassigned	82,550	-	-	-	-	82,550
<i>Fund Cash Balances, December 31</i>	<u>\$ 84,259</u>	<u>\$ 309,888</u>	<u>\$ -</u>	<u>\$ 22,037</u>	<u>\$ 3,532</u>	<u>\$ 419,716</u>

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

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Mecca Township, Trumbull County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, including the regulation of zoning, road and bridge maintenance, fire protection services, and cemetery services.

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

Public Entity Risk Pool:

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.

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

B. Accounting Basis

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

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

C. Deposits

The Township holds its deposits in an interest bearing checking account and certificates 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 in another fund.

2. Special Revenue Funds

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

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Fire and Ambulance - This fund receives charges for services for emergency rescue and ambulance services.

Fire District Fund - This fund receives property tax money to pay for the general operation of the fire department.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Bond Retirement Fund – This fund accounts for the proceeds of the tax levy used to retire bond debt issued for an ambulance. This fund is also used to retire debt issued through OPWC.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Projects Fund:

Issue II Fund – The Township received a grant from the state of Ohio to pay construction on Morrell Ray Road safety upgrade phase I.

4. Permanent Funds

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

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

E. Budgetary Process

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

MECCA TOWNSHIP
TRUMBULL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process (Continued)

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.

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

F. Fund Balance

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

1. Nonspendable

The Township classified 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.

MECCA TOWNSHIP
TRUMBULL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance (Continued)

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* amount 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.

2. EQUITY IN POOLED DEPOSITS

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

	2013	2012
Demand Deposits	\$ 477,672	\$ 416,337
Certificate of Deposit	3,270	3,379
Total Deposits	<u>\$ 480,942</u>	<u>\$ 419,716</u>

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

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

3. BUDGETARY ACTIVITY

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

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 127,702	\$ 126,869	\$ (833)
Special Revenue	297,362	326,262	28,900
Capital Projects	77,354	77,353	(1)
Permanent	30	30	-
Total	\$ 502,448	\$ 530,514	\$ 28,066

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 209,443	\$ 140,821	\$ 68,622
Special Revenue	578,612	238,741	339,871
Capital Projects	99,390	99,390	-
Permanent	262	-	262
Total	\$ 887,707	\$ 478,952	\$ 408,755

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 130,829	\$ 130,197	\$ (632)
Special Revenue	299,589	302,527	2,938
Debt Service	-	26,815	26,815
Capital Projects	-	-	-
Permanent	1,373	27	(1,346)
Total	\$ 431,791	\$ 459,566	\$ 27,775

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

3. BUDGETARY ACTIVITY (CONTINUED)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 218,311	\$ 144,924	\$ 73,387
Special Revenue	633,963	319,425	314,538
Debt Service	63,273	26,815	36,458
Capital Projects	-	-	-
Permanent	338	-	338
Total	\$ 915,885	\$ 491,164	\$ 424,721

Contrary to Ohio law, in 2012 appropriations exceeded estimated resources in the Debt Service Fund by \$63,273 and appropriations exceeded estimated resources in each of the Township's Special Revenue Funds by a combined \$16,303.

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.

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
OPWC	\$ 40,947	0.00%
Promissory Note	235,440	3.99%
Total	\$ 276,387	

In 2008, the Township with financing from the Ohio Public Works Commission completed the Morrell Ray Road Drainage Upgrade. The upgrade cost \$55,571 and the agreement calls for an interest rate of 0% with semi-annual payments.

The Township issued a note in 2011 for \$283,500 at an interest rate of 3.99% with annual payments of \$35,038 for the purchase of a Fire Truck. This note is backed by the full faith and credit of the Township and collateralized by the Fire Truck.

In 2012, the Township paid off a loan used for the purchase of an ambulance for use by the Township's Emergency Medical Services Squad. The original loan amount of \$69,930 was entered into by the Township in 2009 and called for annual payments of \$25,310.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

5. DEBT (CONTINUED)

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

Year ending December 31:	OPWC	Promissory Note
2014	\$ 2,925	\$ 35,038
2015	2,925	35,038
2016	2,925	35,038
2017	2,925	35,038
2018	2,925	35,038
2019-2023	14,625	105,117
2024-2027	11,697	-
Total	\$ 40,947	\$ 280,307

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

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.

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, 2013, 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.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

7. 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	(8,486,363)	(9,355,082)
Net Position	<u>\$26,467,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, 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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$12,657	\$12,657

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.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

8. TRANSFERS

Fund	2013 Transfer Activity	
	Transfer-In	Transfer-Out
Special Revenue	-	(1,131)
Capital Projects	1,131	-
Total	\$ 1,131	\$ (1,131)

Fund	2012 Transfer Activity	
	Transfer-In	Transfer-Out
Special Revenue	\$ -	\$ (26,815)
Debt Service	26,815	-
Total	\$ 26,815	\$ (26,815)

In 2013, there was a transfer from the Special Revenue - Gas Tax Fund to the Capital Projects - Issue II Fund to document the Township's compliance with matching requirements for receiving the funding.

In 2012, a transfer was made from the Ambulance – Special Revenue Fund to the Debt Service Fund for the payment of debt which was used to pay for an ambulance. Another transfer was made out of the Gas Tax – Special Revenue Fund to the Debt Service Fund for the payment of the OPWC debt.

Transfers for either year were not allowable under ORC.

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

July 30, 2014

Mecca Township
Trumbull County
PO Box 567
Cortland, OH 44410

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 **Mecca Township**, Trumbull County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 30, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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 controls was for the limited purpose described in the preceding paragraphs 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 audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of audit findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2013-002 and 2013-003.

We also noted a certain matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 30, 2014.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of audit 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Material Weakness

Posting of Receipts and Fund Balances

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54.

During 2013 and 2012, receipt and fund balances were not always posted or classified correctly. The following errors were noted:

- Rollback receipts incorrectly classified as General Property Taxes instead of Intergovernmental in 2013 and 2012.
- The Fire Fund's portion of intergovernmental receipts was incorrectly posted to the General Fund.
- EMS charges for services receipts incorrectly posted to the General Fund rather than the EMS Fund.
- In 2013 and 2012, General Fund balances were classified as unassigned when they should have been classified as assigned. Also in 2013 fund balance in the Police Special Revenue Fund were classified as committed when it should have been restricted.

Not posting receipts or classifying fund balances accurately resulted in the financial statements requiring adjustments and reclassifications. The Township has made all adjustments to its accounting system. The financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01, Ohio Township Handbook and/or the UAN manual for guidance to determine the proper establishment of receipt accounts and posting of receipts. The Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances.

Officials' Response – This item has been brought to the attention of the Township's Management and they are going to take appropriate actions to rectify the issue for future audits.

FINDING NUMBER 2013-002

Material Noncompliance

Interfund Transfers

Ohio Revised Code Sections 5705.14-16 restricts the transfer of funds between Township Funds.

The Township transferred \$1,462 and \$25,353 from the Gas Tax and EMS Funds respectively to the Debt Service Fund in 2012 and transferred \$1,131 from the Gas Tax Fund to the Issue II Fund in 2013. These transfers in 2012 were used to pay the OPWC and ambulance loan payments. The 2013 transfer was used to document the Township's compliance with matching requirements for receiving Issue II money to be used for the upgrade of a Township road.

**MECCA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS (CONTINUED)
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-002 (CONTINUED)

Material Noncompliance (Continued)

Interfund Transfers (Continued)

Ohio Revised Code 5705.16 does not permit this transfer without approval of the Tax Commissioner and the Court of Common Pleas. The Township did not receive this approval.

These funds were spent for otherwise allowable expenditures of the original fund that transfer the money, and therefore, no illegal expenditures were made.

We recommend the Township review the ORC regulations for transfer of funds and implement proper controls to ensure compliance.

Officials' Response – This item has been brought to the attention of the Township's Management and they are going to take appropriate actions to rectify the issue for future audits.

FINDING NUMBER 2013-003

Material Noncompliance

Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated resources from each fund. This section also requires the Township to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During 2013 and 2012, total appropriations exceeded total estimated resources during the year for various funds. The variances were small for all funds with exception of each of the Township's Special Revenue Funds and Debt Service Fund in 2012 which had appropriations exceeding estimated resources in the amount of \$16,303 and \$63,273 respectively.

The Board should monitor appropriations versus estimated resources to help avoid overspending, causing the Township to have fund balance deficits.

Officials' Response – This item has been brought to the attention of the Township's Management and they are going to take appropriate actions to rectify the issue for future audits.



Dave Yost • Auditor of State

MECCA TOWNSHIP

TRUMBULL 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 9, 2014**