



**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 11, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Olmsted Township, Cuyahoga County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Olmsted Township, Cuyahoga County, Ohio as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 11, 2009

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$796,193	\$2,086,667	\$0	\$2,882,860
Charges for Services	57	0	0	57
Licenses, Permits, and Fees	297,883	240,115	0	537,998
Fines and Forfeitures	13,016	1,606	0	14,622
Intergovernmental	1,553,055	426,147	0	1,979,202
Earnings on Investments	122,077	6,668	8,479	137,224
Miscellaneous	152,337	18,231	0	170,568
Total Cash Receipts	2,934,618	2,779,434	8,479	5,722,531
Cash Disbursements:				
Current:				
General Government	997,530	97,283	0	1,094,813
Public Safety	1,111,327	2,659,347	0	3,770,674
Public Works	912,468	171,638	0	1,084,106
Health	0	81,193	0	81,193
Conservation - Recreation	0	3,000	0	3,000
Capital Outlay	0	12,348	371,924	384,272
Debt Service:				
Redemption of Principal	0	0	100,000	100,000
Interest and Other Fiscal Charges	0	0	105,849	105,849
Total Cash Disbursements	3,021,325	3,024,809	577,773	6,623,907
Total Receipts Over/(Under) Disbursements	(86,707)	(245,375)	(569,294)	(901,376)
Other Financing Receipts / (Disbursements):				
Transfers-In	0	0	73,013	73,013
Transfers-Out	(73,013)	0	0	(73,013)
Advances-In	1,500	1,500	0	3,000
Advances-Out	(1,500)	(1,500)	0	(3,000)
Total Other Financing Receipts / (Disbursements)	(73,013)	0	73,013	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(159,720)	(245,375)	(496,281)	(901,376)
Fund Cash Balances, January 1	1,512,595	911,411	287,192	2,711,198
Fund Cash Balances, December 31	\$1,352,875	\$666,036	(\$209,089)	\$1,809,822
Reserve for Encumbrances, December 31	\$175,074	\$46,256	\$23,475	\$244,805

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

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$715,826	\$2,059,390	\$0	\$2,775,216
Charges for Services	8	0	0	8
Licenses, Permits, and Fees	554,695	246,457	0	801,152
Fines and Forfeitures	10	21,015	0	21,025
Intergovernmental	1,145,530	428,506	0	1,574,036
Earnings on Investments	130,194	7,813	24,073	162,080
Miscellaneous	128,778	38,495	0	167,273
Total Cash Receipts	2,675,041	2,801,676	24,073	5,500,790
Cash Disbursements:				
Current:				
General Government	1,188,973	35,252	0	1,224,225
Public Safety	1,400,548	2,210,996	0	3,611,544
Public Works	994,599	192,977	0	1,187,576
Health	0	21,110	0	21,110
Capital Outlay	11,657	4,585	330,577	346,819
Debt Service:				
Redemption of Principal	0	0	100,000	100,000
Interest and Other Fiscal Charges	0	0	107,629	107,629
Total Cash Disbursements	3,595,777	2,464,920	538,206	6,598,903
Total Receipts Over/(Under) Disbursements	(920,736)	336,756	(514,133)	(1,098,113)
Other Financing Receipts / (Disbursements):				
Transfers-In	0	3,000	0	3,000
Transfers-Out	(3,000)	0	0	(3,000)
Other Financing Uses	(645)	0	0	(645)
Total Other Financing Receipts / (Disbursements)	(3,645)	3,000	0	(645)
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(924,381)	339,756	(514,133)	(1,098,758)
Fund Cash Balances, January 1	2,436,976	571,655	801,325	3,809,956
Fund Cash Balances, December 31	\$1,512,595	\$911,411	\$287,192	\$2,711,198
Reserve for Encumbrances, December 31	\$515,163	\$50,317	\$1,344,703	\$1,910,183

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

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Olmsted Township, Cuyahoga County, (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 road maintenance, police and fire protection and emergency medical services.

The Township participates in three jointly governed organizations. These organizations are the Southwest Council of Governments, Northeast Ohio Public Energy Council, and Chestnut Grove Union Cemetery. The Township also participates in one public entity risk pool. This organization is the Ohio Government Risk Management Plan. Notes 7 and 9 to the financial statements provides additional information for these entities.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

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

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Police Levy Fund – This fund is used to account for property tax revenue used to provide police protection services.

Fire Levy Fund – This fund is used to account for property tax revenue used to provide fire protection services.

Ambulance/EMT Fund – This fund is used to account for revenues from providing ambulatory services.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Capital Equipment Fund – This fund is used to account for purchases of equipment financed with general operating moneys designated by the Trustees.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township has no fiduciary funds.

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, department or object level of control for the Township's General Fund and the fund, object level of control for the Township's other funds, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2007	2006
Demand deposits	\$50,000	\$50,000
Certificates of deposit	100,000	100,000
Total deposits	150,000	150,000
STAR Ohio	1,645,520	1,860,495
Repurchase agreement	14,302	700,703
Total investments	1,659,822	2,561,198
Total deposits and investments	\$1,809,822	\$2,711,198

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

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and December 31, 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,798,040	\$2,936,118	\$138,078
Special Revenue	2,802,220	2,780,934	(21,286)
Capital Projects	80,789	81,492	703
Total	\$5,681,049	\$5,798,544	\$117,495

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,243,696	\$3,270,912	(\$27,216)
Special Revenue	3,281,505	3,072,565	208,940
Capital Projects	1,922,268	601,248	1,321,020
Total	<u>\$8,447,469</u>	<u>\$6,944,725</u>	<u>\$1,502,744</u>

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,968,979	\$2,675,042	(\$293,937)
Special Revenue	2,597,271	2,804,676	207,405
Capital Projects	14,150	24,073	9,923
Total	<u>\$5,580,400</u>	<u>\$5,503,791</u>	<u>(\$76,609)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,005,526	\$4,114,585	\$890,941
Special Revenue	3,114,562	2,515,237	599,325
Capital Projects	2,481,825	1,882,909	598,916
Total	<u>\$10,601,913</u>	<u>\$8,512,731</u>	<u>\$2,089,182</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2007 as follows:

Fund, Department, Object (General Fund) Fund, Object (All Other Funds)	Appropriations Plus Prior Year Carryover Encumbrances	Expenditures Plus Encumbrances	Variance
General Fund			
Zoning & Building, Medicare	\$1,215	\$2,117	(\$902)
Police Protection, Uniform & Equip	\$1,750	\$3,666	(\$1,916)
Fire Protection, Other Expenses	\$2,809	\$3,809	(\$1,000)
Roads, Motor Vehicles	\$103,646	\$133,562	(\$29,916)
Fire District Fund			
Workers Compensation	\$40,139	\$57,139	(\$17,000)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2006 as follows:

Fund, Department, Object (General Fund) Fund, Object (All Other Funds)	Appropriations Plus Prior Year Carryover Encumbrances	Expenditures Plus Encumbrances	Variance
General Fund			
Zoning & Building, Motor Vehicles	\$0	\$1,460	(\$1,460)
Fire Protection, Other Salaries	\$0	\$48,006	(\$48,006)
Fire Protection, OP&F Pension	\$199,352	\$241,107	(\$41,755)

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

Fund, Department, Object (General Fund) Fund, Object (All Other Funds)	Appropriations Plus Prior Year Carryover Encumbrances	Expenditures Plus Encumbrances	Variance
Motor Vehicle License Tax Fund			
Other Office Supplies	\$0	\$250	(\$250)
Police District Fund			
Machinery, Equipment & Furniture	\$48,610	\$58,493	(\$9,883)
Permissive Motor Vehicle License Tax Fund			
Other Expenses	\$392	\$458	(\$66)
SRAD Fund			
Other Expenses	\$0	\$22	(\$22)

Contrary to Ohio Revised Code Section 5705.39, the Township had appropriations in excess of estimated resources in the Capital Equipment Fund at December 31, 2006 in the amount of \$833,174.

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	<u>\$2,580,000</u>	1.8% to 2.5%

The Township issued general obligation bonds to pay costs of constructing, furnishing, and equipping new Police, Service, and Building Department buildings, and renovating, furnishing and equipping the existing Town Hall.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt (Continued)

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

Year Ending December 31:	General Obligation Bonds
2008	\$203,329
2009	225,329
2010	221,266
2011	217,048
2012	212,673
2013-2017	1,063,656
2018-2022	1,081,308
2023-2024	432,450
Total	\$3,657,059

6. Retirement Systems

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Township contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

Risk Pool Membership (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

8. Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

9. Jointly Governed Organizations

A. Southwest Council of Governments

The Southwest Council of Governments (the Council) helps foster cooperation between municipalities/townships in the areas affecting health, safety, welfare, education, economic conditions, and regional development. The Board is comprised of one member from each of the sixteen participating entities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each member's degree of control is limited to its representation on the Board. The Township contributed \$7,500 in both 2007 and 2006.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

9. Jointly Governed Organizations (Continued)

A. Southwest Council of Governments (Continued)

The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZ MAT"), which provides hazardous material protection and assistance and the Southwest Enforcement Bureau which provides extra assistance in the form of a Special Weapons and Tactics Team ("SWAT Team"). The Council's financial statements may be obtained by contacting the Southwest Council of Governments, Parma Heights, Ohio.

B. Northeast Ohio Public Energy Council

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

NOPEC is governed by a General Assembly made up of one representative from each community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. In 2007 and 2006, the Township made no contributions. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, at 175 South Main Street, Akron, Ohio 44308, or at the website www.nopecinfo.org.

C. Chestnut Grove Union Cemetery

The Chestnut Grove Union Cemetery (the Cemetery) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Cemetery provides burial grounds and burial services to the public. The Cemetery is a jointly governed organization between Olmsted Township and the City of Olmsted Falls.

A Joint Council consisting of the Trustees of Olmsted Township and the Council Members of the City of Olmsted Falls governs the Cemetery. The Joint Council elects and appoints the members of the Board of Trustees. The members of the Board of Trustees consist of the following: one elected member of the legislative body from each of the political subdivisions, and one appointed resident from either of the political subdivisions who is not a member of the legislative body.

The Joint Council exercises control over the operation of the Cemetery through budgeting, appropriating, and contracting. The Board of Trustees control daily operations of the Cemetery. During 2007 and 2006, the Township contributed \$81,193 and \$21,110 to Chestnut Grove Union Cemetery, respectively.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of Olmsted Township, Cuyahoga County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 11, 2009 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider findings 2007-006 through 2007-008 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding numbers 2007-006 through 2007-008 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 11, 2009.

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, providing an opinion 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 instance of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 11, 2009.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 11, 2009

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

FINDING NUMBER 2007-001

Finding for Recovery

Payment of Accumulated Sick Time

During our review of payroll expenditures made during fiscal year 2006, we noted four Township Police Department employees who each received payments of portions of their accumulated sick leave balances throughout fiscal year 2006, in violation of their union agreement.

John W. Minek, Lieutenant, David G. Tkachik, Sergeant, Gabriel W. Smolik, Patrolman, and Ned Covic, Patrolman were employed by the Olmsted Township Police Department during fiscal year 2006. During that time, all four employees were covered under the *Agreement Between Olmsted Township and Ohio Patrolmen's Benevolent Association* for the period January 1, 2004 to December 31, 2006.

Section 12.01 of this agreement states in part that, "All regular, full-time employees shall be entitled to sick leave of 4.6 hours for each eighty (80) hours of service. Employees may use sick leave upon approval of the responsible administrative officer, for absence due to illness, injury, exposure to contagious diseases which could be communicated to other employees and to illness in the employee's immediate family, defined as spouse or children."

Section 12.03 of this agreement states that, "Upon death or retirement, all sick leave accumulated up to the point of ratification of the 1996-1998 Agreement shall be paid to the employee or his or her estate or personal representative designated by the employee at the employee's rate of pay at the time of death or retirement. For all sick leave accumulated after ratification of the 1996-1998 Agreement, the pay out shall be at the rate of one-third (1/3) of all accumulated sick leave at the employees rate of pay at the time of death or retirement."

Section 12.05 of this agreement states that, "Employees shall be provided an incentive payment for non-use of sick days at the following rates: 0 Days taken during the year: \$400; 1 day taken during the year: \$300; 2 days taken during the year: \$200; and 3 days taken during the year: \$100." Section 12.06 states that, "The term year shall mean the calendar year from January 1 to December 31. Payment of such cash incentive shall be made in the month of January next following the year in which the incentive has been earned."

During fiscal year 2006, John Minek cashed out 83.25 hours of his accumulated sick leave, receiving a total sick time payout of \$2,266.07 (gross wages) from Olmsted Township. Since the aforementioned conditions governing the payout of sick leave per the *Agreement Between Olmsted Township and Ohio Patrolmen's Benevolent Association* did not occur, John Minek was not entitled to the sick time payout.

During fiscal year 2006, David Tkachik cashed out 80 hours of his accumulated sick leave, receiving a total sick time payout of \$1,973.20 (gross wages) from Olmsted Township. Since the aforementioned conditions governing the payout of sick leave per the *Agreement Between Olmsted Township and Ohio Patrolmen's Benevolent Association* did not occur, David Tkachik was not entitled to the sick time payout. Additionally, in January 2006, he received a payment of \$300 for the sick leave incentive earned for fiscal year 2005. We noted in our previous audit that David Tkachik cashed out 305 hours of sick leave in 2005; therefore we do not believe the payment of this sick leave incentive meets the aforementioned incentive criteria. The total paid to David Tkachik for sick time and the sick leave incentive in 2006 is \$2,273.20.

During fiscal year 2006, Gabriel Smolik cashed out 82 hours of his accumulated sick leave, receiving a total sick time payout of \$1,450.58 (gross wages) from Olmsted Township. Since the aforementioned conditions governing the payout of sick leave per the *Agreement Between Olmsted Township and Ohio Patrolmen's Benevolent Association* did not occur, Gabriel Smolik was not entitled to the sick time payout.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

FINDING NUMBER 2007-001 (Continued)

Finding for Recovery

Payment of Accumulated Sick Time

During fiscal year 2006, Ned Covic cashed out 90 hours of his accumulated sick leave, receiving a total sick time payout of \$2,058.30 (gross wages) from Olmsted Township. Since the aforementioned conditions governing the payout of sick leave per the *Agreement Between Olmsted Township and Ohio Patrolmen's Benevolent Association* did not occur, Ned Covic was not entitled to the sick time payout.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against John W. Minek for \$2,266.07, the Estate of David G. Tkachik for \$2,273.20, Gabriel W. Smolik for \$1,450.58, and Ned Covic for \$2,058.30, and in favor of the Olmsted Township Police District Fund for a total of \$8,048.15.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Atty Gen. No. 80-074, Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Lisa L. Lambert, former Fiscal Officer, and Travelers Casualty and Surety Company of America, her bonding company, will be jointly and severally liable in the amount of \$8,048.15 and in favor of the Olmsted Township Police District Fund to the extent that recovery is not obtained from John W. Minek, the Estate of David G. Tkachik, Gabriel W. Smolik, and Ned Covic.

FINDING NUMBER 2007-002

Material Noncompliance

Proper Certification of Funds

Ohio Rev. Code Section 5705.41(D) 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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

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

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

FINDING NUMBER 2007-002 (Continued)

Material Noncompliance

Proper Certification of Funds

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 Board.

2. **Blanket Certificate** – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificates** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing of nonpayroll disbursements, we noted 41 out of 99 invoices (41%) were entered into prior to receiving the Fiscal Officer's certification.

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

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.10(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.

Official's Response: We did not receive a response from Township Official's for this finding.

FINDING NUMBER 2007-003

Material Noncompliance

Expenditures in Excess of Appropriation Authority

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

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

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

FINDING NUMBER 2007-003 (Continued)

Material Noncompliance

Expenditures in Excess of Appropriation Authority

Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Board of Trustees may not exceed appropriations at the legal level for all funds. The Township's legal level of control was the Fund-Department-Object level for the General Fund and Fund-Object level for the Township's other funds.

On December 31, 2006, the following funds had expenditures plus encumbrances exceeding authorized appropriations at the legal level of control:

Fund, Department, Object (General Fund) Fund, Object (All Other Funds)	Appropriations Plus Prior Year Carryover Encumbrances	Expenditures Plus Encumbrances	Variance
General Fund			
Zoning & Building, Motor Vehicles	\$0	\$1,460	(\$1,460)
Fire Protection, Other Salaries	\$0	\$48,006	(\$48,006)
Fire Protection, OP&F Pension	\$199,352	\$241,107	(\$41,755)
MVLT Fund			
Other Office Supplies	\$0	\$250	(\$250)
Police District Fund			
Machinery, Equipment & Furniture	\$48,610	\$58,493	(\$9,883)
Permissive MVLT Fund			
Other Expenses	\$392	\$458	(\$66)
SRAD Fund			
Other Expenses	\$0	\$22	(\$22)

On December 31, 2007, the following funds had expenditures plus encumbrances exceeding authorized appropriations at the legal level of control:

Fund, Department, Object (General Fund) Fund, Object (All Other Funds)	Appropriations Plus Prior Year Carryover Encumbrances	Expenditures Plus Encumbrances	Variance
General Fund			
Zoning & Building, Medicare	\$1,215	\$2,117	(\$902)
Police Protection, Uniform & Equip	\$1,750	\$3,666	(\$1,916)
Fire Protection, Other Expenses	\$2,809	\$3,809	(\$1,000)
Roads, Motor Vehicles	\$103,646	\$133,562	(\$29,916)
Fire District Fund			
Workers Compensation	\$40,139	\$57,139	(\$17,000)

We also noted instances whereby appropriations were negative at December 31, 2006 and December 31, 2007. This was due to the Fiscal Officer not properly posting the budgetary amendments (as approved by the Board) to the UAN system.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

FINDING NUMBER 2007-003 (Continued)

Material Noncompliance

Expenditures in Excess of Appropriation Authority

The Board's reliance on the appropriation postings led to subsequent decreased appropriations being approved by the Board in amounts that were greater than existing appropriations, and in a few cases, decreased appropriations in funds/line-items where no appropriations existed. The Motor Vehicle License Tax fund had negative appropriations at December 31, 2006 for the following appropriation lines: Other-Supplies & Materials and Other- Repairs & Maintenance. The amounts by which expenditures plus encumbrances exceeded appropriations in these funds at December 31, 2006 were \$1,250 and \$10,000, respectively. The Fire District fund had negative appropriations at December 31, 2007 for the Dental Insurance appropriation line. The amount by which expenditures plus encumbrances exceeded appropriations in this appropriation line at December 31, 2007 was \$2,666.

We also noted the Township did not provide documentation of approved appropriations were submitted to the County Budget Commission during 2006.

Monitoring appropriations is vital for maintaining sound budgetary practices. By not monitoring appropriations, expenditures plus encumbrances could result in funds exceeding the total available fund balance. The Township must also ensure that appropriations as approved by the Board are accurately posted to the Township's ledgers that are used for monitoring purposes. Management and the Board rely on the Township's monthly financial reports when making budget and purchasing decisions, and therefore, should have the most timely and accurate information. If appropriations are not posted accurately, there is an increased risk that budgetary violations could occur.

We recommend the Township ensure all budget amendments are posted with accuracy to the Township's ledgers. We also recommend the Township verify all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditures plus encumbrances in all funds which are legally required to be budgeted to main compliance with the above requirement. The Township should also submit all approved appropriations to the County Budget Commission to certify appropriations do not exceed estimated resources.

Official's Response: The prior Fiscal Officer asserts that approved appropriations were submitted to the County Budget Commission and that copies verifying said submissions will be forwarded to your office by the current Fiscal Officer.

Auditor of State Conclusion: We did not revise this Finding because the documentation forward to us reflected manual revisions to the 2006 Amended Certificate of Estimated Resources indicating it was requested and submitted to the County Budget Commission on or about January 14, 2007, after the close of the fiscal year. The Auditor of State's position is that amendments must be submitted to the Budget Commission prior to December 31 to be effective.

FINDING NUMBER 2007-004

Material Noncompliance

Appropriations in Excess of Estimated Resources *

Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. In addition, Ohio Rev. Code Section 5705.40 requires that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

FINDING NUMBER 2007-004 (Continued)

Material Noncompliance

Appropriations in Excess of Estimated Resources *

The Township's Certificate of Estimated Resources in effect at December 31, 2006 showed estimated resources of (\$847,325) (unencumbered cash balance at December 31, 2005 of \$801,325 less encumbrances outstanding at December 31, 2005 of \$1,648,650) for the Capital Equipment Fund. Although the Township did not estimate any resources to be available from this fund, they appropriated \$833,174 as of December 31, 2006. Furthermore, during both 2006 and 2007, the Township failed to forward its approved appropriation measures to the County Budget Commission and therefore did not obtain "Do Not Exceed" certificates.

These weaknesses could allow expenditures to exceed the total available fund balance plus current year revenues which would result in a negative fund balance.

We recommend the Township review appropriations and estimated resources on a monthly basis and make the necessary revisions to the budget and submit the information to the County Budget Commission to maintain compliance with this requirement.

Official's Response: At the time, the Fiscal Officer had informed the Assistant Prosecuting Attorney that she believed her predecessor had certified false certificates contrary to 5705.41(D). In concert with the Auditor's Handbook, the "township is bound by the clerk's certificate, whether the certificate is true or false, provided only the obligation is one which the township may validly incur if the correct procedures are followed."

Whereas these respective vendors had threatened and subsequently initiated lawsuits against Olmsted Township, the Fiscal Officer sought the required opinion of the Assistant Prosecuting Attorney on this matter. It wasn't until the regularly scheduled board meeting of May 28, 2008, that Prosecutor Pelsozy opined "that the amount encumbered under the Capital Fund is a disputed amount and could therefore be unencumbered/removed." Therefore, until the foregoing opinion was garnered, the certifications and corresponding appropriations could not be voided.

Notwithstanding, a Certificate of Estimated Resources, noting the aforementioned was forwarded at that time to Josh Hill at the Cuyahoga County Budget Commission. The current Fiscal Officer has a copy of same and has stated to the prior Fiscal Officer that he will forward a copy to your office.

Auditor of State Conclusion: We did not revise this Finding because, if the County Prosecutor did not render his opinion until 2008, his opinion would only affect the estimated resources for 2008, not 2006. Further, we did not receive the copy of the Certificate of Estimated Resources indicated above.

FINDING NUMBER 2007-005

Material Noncompliance

Timely Depositing

Ohio Rev. Code Section 9.38 provides that any public official or employee who receives public monies shall deposit said monies with the Treasurer or with a properly designated depository on the next business day following the day of receipt, if the total received exceeds one thousand dollars.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-005 (Continued)

Material Noncompliance

Timely Depositing

If the total amount of the public money received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited.

The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

During our test of licenses, permits and fees revenue, we noted 16 out of 50 receipts tested (32%), were not deposited into the designated depository in accordance with the aforementioned provisions. The range of those receipts not deposited in a timely manner varied between \$190 and \$25,999.

We recommend the Township take the necessary steps to comply with the aforementioned Ohio Revised Code section, specifically, that all deposits be made in a timely manner. We recommend all Township departments either deposit monies collected with the Fiscal Officer or the local depository on the next business day following the day of receipt or the Township adopt a policy requiring all monies collected to be deposited with the Fiscal Officer or properly designated depository within three business days following the day of receipt, if the total amount of such monies is less than \$1,000. Additionally, such a policy must include procedures to safeguard the monies until the time of deposit.

Official's Response: We did not receive a response from Township Official's for this finding.

FINDING NUMBER 2007-006

Material Noncompliance and Material Weakness

Retention of Public Records

The primary sources of information in conducting an audit are the records maintained by the Township. Organized public records result in a more efficient audit. Township management is responsible for adopting sound accounting policies and for establishing and maintaining internal controls that are designed to record, process, summarize, and report transactions consistent with management's assertions. Also, the fair presentation of financial statements, in accordance with either generally accepted accounting principles or another comprehensive basis of accounting, is a direct and integral part of management's responsibility to provide reliable and accurate information.

Ohio Rev. Code Section 149.351(A) states in part that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions. Ohio Rev. Code Section 149.43(B)(1) provides that all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during the regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. Section (B)(2) provides that in order to facilitate broader access to public inspection, governmental units shall maintain public records in such a manner that they can be made available for inspection or copying.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-006 (Continued)

Material Noncompliance and Material Weakness

Retention of Public Records

The Township Fiscal Officer that was in office during the first part of the audit period resigned effective June 1, 2006. The subsequent Fiscal Officer took office shortly thereafter. It appears that the information system maintained by the former Fiscal Officer made it difficult for the subsequent Fiscal Officers to determine the existence, organization, and accuracy of the public records and to provide the audit information in a timely manner. This also resulted in numerous requests for information and delays in the audit process, as there were delays in receiving necessary information to finish portions of the audit.

During our testing of Building Department receipts (licenses, permits, and fees), we noted four receipts totaling \$12,295 for which the Township could not provide deposit documentation. We were unable to determine in which deposits these receipts were included. One of these receipts, in the amount of \$10,768, was not recorded by the Township. This receipt was brought to the Township's attention by the outside entity hired to assist with the monthly reconciliations. An adjustment was made by the Township to record the receipt.

The Township also failed to maintain supporting documentation for the entire fourth quarter of 2006 receipts, as well as the December 31, 2006 bank reconciliation. Although the fourth quarter receipt book was not made available for the audit, we were able to perform sufficient testing utilizing the receipts recorded in UAN and through third-party confirmation. Support for building department receipts is maintained in the building department, so this cycle was not affected by the missing 4th quarter 2006 receipt book.

The Township also failed to provide support for numerous expenditures, including several payments made on construction contracts and for memo expenditures. For the payments made with respect to the Fire Station and Service Department Building projects, and those in accordance with the Construction Contractor Resolution approved on May 16, 2007, the Township was able to provide only copies of the vouchers for expenditures made to the following vendors: Seitz Builders, Lakeland Management, Olmsted Heating & Cooling, Skyland Electric, and Jance Construction. Original documentation was not maintained.

Complete bidding documentation was also not maintained for the Oxford Park Rehabilitation contract executed in 2006. The contract was awarded to Tri-Mor Construction on June 29, 2006 for \$494,801. While we were able to review bid packages for four contractors, we were not able to review the bid package for Tri-Mor Construction. Only the actual contract with Tri-Mor was maintained by the Township. Furthermore, there was not a bid tabulation form for the bid opening to document the contractors from whom bids were received. As there was no record of the bidders in the minutes, we were unable to determine the completeness of the bid packages we reviewed for this contract to determine the contract was awarded to the lowest, best bidder.

The Township's failure to maintain adequate public records could result in a loss of accountability over the Township's finances and make it difficult for the Township to identify errors which could go undetected. In addition, failing to maintain original vouchers and contract information could result in the Township awarding a contract to a vendor that may not have submitted the lowest bid, or payment on a voucher that would otherwise not have been approved, both of which could indicate an improper interest in expenditures or contracts by a public official.

We recommend the Township develop and maintain a system of control and organization over financial records such that all records are sufficiently organized and available for efficient use by Township management and external parties as appropriate. We also recommend the Township develop policies and procedures regarding safekeeping and transferring of Township records between Fiscal Officers.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
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FINDING NUMBER 2007-006 (Continued)

Material Noncompliance and Material Weakness

Retention of Public Records

In addition, the Board should periodically monitor the records maintained and review the monthly bank reconciliations, sign off, and record the results of this review in their monthly Board meetings.

Official's Response: The Fiscal Officer will attempt to retrieve these documents which are believed to be in the possession of the Assistant Prosecuting Attorney.

Also referenced is the bidding documentation "maintained for the Oxford Park Rehabilitation contract." Being that this project was constructed by law under the direction of the Cuyahoga County Engineer, all documents are maintained under their files. The Fiscal Officer has agreed to contact the Cuyahoga County Engineer to obtain the requested documents and subsequently advise your office.

Auditor of State Conclusion: We would appreciate receiving this documentation, but did not receive it as of the date of this report.

FINDING NUMBER 2007-007

Material Weakness

Financial Reporting

An entity's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounts, and preparing financial statements. During the testing of the Township's receipt and expenditure cycles, we noted several posting errors to the Township's records and draft financial statements, including:

- Real Property Taxes, Personal Property Taxes, Homestead/Rollback Reimbursements, Exempt Personal Property Taxes, Public Utility Reimbursements, CAT Tax Reimbursements, were improperly posted to the incorrect funds, or to the wrong line items.
- Great Lakes Billing Receipts, which should have been recorded in the Ambulance Fund, were posted to the General Fund, Capital Improvement Fund, or to the wrong line items. We also noted instances where Great Lakes Billing Receipts were deposited in the bank, but were not recorded by the Township.
- The 2007 debt service payment which should have been recorded as principal and interest expenditures in the Capital Equipment Fund, were posted to Capital Outlay in the General Fund.

In 2007, the Township enlisted the assistance of the Auditor of State's Local Government Services Division (LGS) to assist in monthly reconciliations covering the period January 1, 2005 through June 30, 2006.

Many of the Township's revenue posting errors that were made by the Clerk who was in office until June 1, 2006, were detected and corrected by the subsequent Clerk before the fiscal year end in 2006, while others were corrected through the assistance of LGS. However, the adjustments proposed by LGS for 2006 were not made until 2007, after LGS completed their work.

As a result, the annual financial statements filed with the Auditor of State under Ohio Rev. Code Section 117.38 for 2007 and 2006 required both reclassification and adjustment.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

FINDING NUMBER 2007-007 (Continued)

Material Weakness

Financial Reporting

Although these weaknesses occurred during the tenure of previous fiscal officers, the Township should evaluate its methods for the processing of receipts. The Township should post receipts to the proper funds and line items within each fund. The receipt postings should be accurate and complete in accordance with the revenue's purpose. A Township employee or trustee independent of the receipt posting procedure should review the cash receipts journal for accuracy.

We recommend when the Township has any uncertainty when classifying receipts, to contact an appropriate source for guidance. That source may include the Auditor of State; however, the Township must recognize the Independence Standards that keep the Auditor of State from posting transactions on the Township's behalf. Routine advice does not compromise this principle. The Township must practice due diligence in preparing its annual financial reports.

Official's Response: We did not receive a response from Township Officials for this Finding.

FINDING NUMBER 2007-008

Material Weakness

Bank Reconciliations

A necessary step in the internal controls over the Township's treasury cycle and overall financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. The Township did not consistently prepare accurate monthly bank reconciliations during 2006 and 2007.

The Township Fiscal Officer in office during the first part of the audit period resigned effective June 1, 2006. Another Fiscal Officer took office shortly thereafter. Upon commencement of the fiscal year 2004-2005 audit in late 2006, it was noted that the Township's cash balances were not accurately reconciled for the entire fiscal year 2005. In addition, the previous fiscal officer had not performed bank reconciliations since February 2006. As a result, the Township hired LGS to reconcile their cash balances for the entire fiscal year 2005 and first half of 2006. This reconciliation was completed in 2007. The subsequent fiscal officer did not perform regular monthly reconciliations (with the exception of the December 31, 2006 reconciliation) until LGS completed the 2005 and 2006 reconciliations in 2007. Therefore, the only reconciliations performed in 2007 were for the months of August through December.

In addition to not performing monthly bank reconciliations on a consistent basis, the Township also failed to prepare accurate and complete reconciliations. The December 31, 2006 bank reconciliation contained unsupported charges of approximately \$19,783. This difference was largely due to unrecorded revenue and expenditures and posting errors (see Finding 2007-007). Once these items are taken into account, there is a book over bank difference of \$9,144. The December 31, 2007 bank reconciliation contained unsupported charges of approximately \$7,910, which is also a book over bank difference.

The financial statements report *General Government* disbursements in the General Fund of \$7,910 and \$9,144 for 2007 and 2006, respectively, to reconcile the fund balances to the bank balances.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

FINDING NUMBER 2007-008 (Continued)

Material Weakness

Bank Reconciliations

Failure to maintain complete and accurate bank reconciliations along with accurately maintained Township records 1) reduces the accountability over Township funds, 2) reduces the Trustee's ability to monitor financial activity, 3) increases the likelihood that monies will be misappropriated and not be detected, and 4) increases the likelihood the Township's financial statements will be misstated.

We recommend the Township exercise due professional care when performing month-end bank reconciliations. We recommend the Township's bank accounts be reconciled, on a monthly basis, by a responsible employee and reviewed for completeness and accuracy by a Township official independent of the reconciliation process. The individual performing the bank reconciliation should provide evidence that it was performed and reflect all applicable records needed in order to complete the reconciliation. Township officials should monitor the reconciliation process, on a timely basis, to ensure that monthly bank reconciliations are being performed. The Township's Fiscal Officer should post receipt and expenditure activity to the Township's accounting system at the time the monies are received and expenditures are made. Any discrepancies in the reconciliation process should be reviewed immediately.

Official's Response: We did not receive a response from Township Officials for this Finding.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code 117.28: Finding for Recovery – Payment of Accumulated Sick Time: John W. Minek \$16,031.87 David G. Tkachik: \$7,701.30 Gabriel W. Smolik: \$1,258.40	No	Prior year findings not repaid. Additional findings issued for current audit period. See Finding Number 2007-001.
2005-002	Ohio Rev. Code 117.28: Finding for Recovery – Overpayment of Employees: John Lavelle: \$2,469.43 John Rice: \$2,731.83	No	Prior year findings not repaid.
2005-003	Ohio Rev. Code 117.28: Finding for Recovery - Overpayment of Compensatory Time: Brian Clute: \$885.00	No	Prior year findings not repaid.
2005-004	Ohio Rev. Code 117.28: Finding for Recovery – Overpayment of Employee Leave Balances: Ryan Strickler: \$3,242.81	No	Prior year findings not repaid.
2005-005	Ohio Rev. Code 117.28: Finding for Recovery – Leave Usage in Excess of Available Balances: Amy Witthuhn: \$359.04	No	Prior year findings not repaid.
2005-006	Ohio Rev. Code 9.38: Timely Depositing	No	Reissued as Finding 2007-005
2005-007	Ohio Rev. Code 5705.41(B): Expenditures Plus Encumbrances in Excess of Appropriations	No	Reissued as Finding 2007-003
2005-008	Ohio Rev. Code 5705.39: Appropriations in Excess of Estimated Resources	No	Reissued as Finding 2007-004
2005-009	Ohio Rev. Code 5705.41(D): Proper Encumbrance of Funds	No	Reissued as Finding 2007-002
2005-010	Ohio Rev. Code 9.24(A): Subletting of Contracts/Contract Terms	No	Corrected.
2005-011	Ohio Rev. Code 149.351(A): Retention of Public Records	No	Reissued as Finding 2007-006
2005-012	Material Weakness- Organization of Public Records	No	Combined with Finding 2007-006



Mary Taylor, CPA
Auditor of State

OLMSTED TOWNSHIP

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 8, 2009**