



Dave Yost • Auditor of State

**AID TOWNSHIP
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Aid Township
Lawrence County
13631 State Route 141
Kitts Hill, Ohio 45680

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Aid Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 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, 2012 and 2011, or changes in financial position thereof for the year then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During the 2008-2007 audit, the Township improperly paid salaries and fringe benefits for the Board of Trustees from the Gasoline Tax Fund in the amount of \$34,391 that should have been paid from the General Fund. Due to the impact this adjustment would have on the General Fund, the Township has declined to make this adjustment.

Had the posting errors noted in the preceding paragraph been properly posted to the financial statements and the accounting system, the General Fund cash fund balance as of January 1, 2011 would have been decreased by \$34,391, and the Gasoline Tax Fund cash fund balance as of January 1, 2011 would have been increased by \$34,391.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Aid Township, Lawrence County as of December 31, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

August 15, 2013

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**AID TOWNSHIP
LAWRENCE 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$13,827	\$19,617	\$33,444
Intergovernmental	14,537	101,113	115,650
Earnings on Investments	54	92	146
Miscellaneous		61	61
<i>Total Cash Receipts</i>	<u>28,418</u>	<u>120,883</u>	<u>149,301</u>
Cash Disbursements			
Current:			
General Government	30,069		30,069
Public Safety	334	14,519	14,853
Public Works		71,128	71,128
Debt Service:			
Principal Retirement		14,629	14,629
Interest and Fiscal Charges		1,305	1,305
<i>Total Cash Disbursements</i>	<u>30,403</u>	<u>101,581</u>	<u>131,984</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,985)</u>	<u>19,302</u>	<u>17,317</u>
Other Financing Receipts (Disbursements)			
Transfers In		6,283	6,283
Transfers Out		(6,283)	(6,283)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(1,985)	19,302	17,317
<i>Fund Cash Balances, January 1</i>	<u>16,073</u>	<u>84,953</u>	<u>101,026</u>
Fund Cash Balances, December 31			
Restricted		104,255	104,255
Unassigned (Deficit)	14,088		14,088
<i>Fund Cash Balances, December 31</i>	<u>\$14,088</u>	<u>\$104,255</u>	<u>\$118,343</u>

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

**AID TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$14,699	\$20,887	\$35,586
Intergovernmental	17,122	126,452	143,574
Earnings on Investments	70	144	214
Miscellaneous	4	5	9
<i>Total Cash Receipts</i>	31,895	147,488	179,383
Cash Disbursements			
Current:			
General Government	32,432		32,432
Public Safety	1,556	16,467	18,023
Public Works		68,053	68,053
Capital Outlay		103,135	103,135
<i>Total Cash Disbursements</i>	33,988	187,655	221,643
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,093)	(40,167)	(42,260)
Other Financing Receipts			
Inception of Capital Lease		45,167	45,167
<i>Total Other Financing Receipts</i>	0	45,167	45,167
<i>Net Change in Fund Cash Balances</i>	(2,093)	5,000	2,907
<i>Fund Cash Balances, January 1</i>	18,166	79,953	98,119
Fund Cash Balances, December 31			
Restricted		84,953	84,953
Unassigned (Deficit)	16,073		16,073
<i>Fund Cash Balances, December 31</i>	\$16,073	\$84,953	\$101,026

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

**AID TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Aid Township, Lawrence County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and fire protection. The Township contracts with the Aid Township Volunteer Fire Department to provide fire services.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a risk-sharing pool available to Ohio governments. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis 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 has no investments.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**AID TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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 to pay for constructing, maintaining, and repairing Township roads.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

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

**AID TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

2. Change in Accounting Principle

During 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**AID TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	\$118,343	\$101,026

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,474	\$28,418	(\$20,056)
Special Revenue	211,018	127,166	(83,852)
Total	\$259,492	\$155,584	(\$103,908)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,314	\$30,403	\$21,911
Special Revenue	176,100	107,864	68,236
Total	\$228,414	\$138,267	\$90,147

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,931	\$31,895	(\$12,036)
Special Revenue	193,892	192,655	(1,237)
Total	\$237,823	\$224,550	(\$13,273)

**AID TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,314	\$33,988	\$18,326
Special Revenue	176,100	187,655	(11,555)
Total	\$228,414	\$221,643	\$6,771

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the FEMA Fund by \$6,283 for the year ended December 31, 2012 and in the Gasoline Tax Fund by \$42,077 for the year ended December 31, 2011. Also, contrary to Ohio law, appropriations exceeded actual resources in the General Fund by \$7,823 for the year ended December 31, 2012 and in the Motor Vehicle License Tax Fund by \$2,253 for the year ended December 31, 2011.

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20. Public utilities are also taxed on personal and real property located within the Township.

Public utilities area 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.

6. Capital Lease

Capital lease principal outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Capital Lease	\$30,538	2.890%
Total	\$30,538	

During 2012, the Township entered into a capital lease in the amount of \$45,167 for the lease-purchase of a Ford F550 Utility Dump Truck for the period of three years.

**AID TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Capital Lease (Continued)

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

Year ending December 31:	<u>Capital Lease</u>
2013	\$15,934
2014	15,934
Total	<u><u>\$31,868</u></u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

8. Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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.

**AID TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

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, 2012 and 2011.

	2012	2011
Assets	<u>\$13,100,381</u>	<u>\$12,501,280</u>
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u><u>\$6,413,188</u></u>	<u><u>\$7,172,519</u></u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. Contingent Liabilities

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

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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*

Aid Township
Lawrence County
13631 State Route 141
Kitts Hill, Ohio 45645

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 Aid Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated August 15, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits and adopted the provisions of Governmental Accounting Standards Board Statement No. 54. We also issued an adverse opinion on the 2012 and 2011 financial statements of the General and Special Revenue Funds due to the Township declining to make adjustments to their January 1, 2011 fund cash balances.

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 control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2012-03 and 2012-04 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2012-01 and 2012-02.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

August 15, 2013

**AID TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-01

Noncompliance Citation

Ohio Rev. Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources that was certified prior to making the appropriation or supplemental appropriation.

On December 31, 2012, appropriations exceeded actual resources as follows:

Fund	Actual Resources	Appropriations	Variance
General Fund	\$44,491	\$52,314	(\$7,823)

On December 31, 2011, appropriations exceeded actual resources as follows:

Fund	Actual Resources	Appropriations	Variance
Motor Vehicle License Tax Fund	\$50,061	\$52,314	(\$2,253)

This could result in overspending if not properly monitored.

We recommend the Fiscal Officer monitor estimated and actual resources. When it is apparent that actual receipts will fall short of budgetary estimated and appropriations are greater than estimated resources, the Board of Trustees should obtain a reduced amended certificate from the County Budget Commission. We further recommend the Board of Trustees make corresponding reductions in appropriations.

**AID TOWNSHIP
LAWRENCE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-02

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2012 as follows:

Fund	Total Appropriations	Expenditures	Variance
FEMA Fund	\$0	\$6,283	(\$6,283)

Expenditures exceeded appropriations at December 31, 2011 as follows:

Fund	Total Appropriations	Expenditures	Variance
Gasoline Tax Fund	\$128,200	\$170,277	(\$42,077)

We recommend the Fiscal Officer monitor expenditures versus appropriations throughout the year and not approve expenditures unless a proper amendment to appropriations has been approved by the Board of Trustees.

FINDING NUMBER 2012-03

Material Weakness

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

The financial statements included the following errors requiring adjustment or reclassification:

In 2011:

- In the General Fund, a reclassification of \$4,383 was made from Taxes to Intergovernmental Revenue; an adjustment was made to increase Taxes and General Government expenditures by \$267 to account for tax receipts being posted net of County Auditor/Treasurer deductions; and a reclassification of \$16,071 was made from Committed to General Operating Fund for Township to Unassigned Fund Balance.

**AID TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-03 (Continued)

Material Weakness (Continued)

2011 (Continued)

- In the Gasoline Tax Fund, a reclassification of \$11,325 was made from Public Works to Capital Outlay for a joint paving project disbursements; an adjustment of \$31,920 was made to increase Intergovernmental Revenue and Capital Outlay to record the on-behalf-of portion of the joint repaving project that was paid for by Lawrence County; an adjustment of \$45,167 was made to increase Inception of Capital Lease and Capital Outlay to account for the new capital lease related to the dump truck; and a reclassification of \$45,349 was made from Committed to Road Repairs and Upkeep to Restricted Fund Balance.
- In the Road and Bridge Fund, an adjustment of \$62 was made to increase Taxes and Public Works expenditures to account for tax receipts being posted net of County Auditor/Treasurer deductions; and a reclassification of \$11,401 was made from Committed to Road Repairs and Upkeep to Restricted Fund Balance.
- In the Motor Vehicle License Tax Fund, a reclassification of \$17,520 was made from Committed to Road Repairs and Upkeep to Restricted Fund Balance.
- In the Fire Levy Fund, a reclassification of \$16,224 was made from General Government to Public Safety to account for all expenditures made; a reclassification of \$42 from Taxes to Intergovernmental Revenue; and an adjustment of \$224 was made to increase Taxes and Public Safety expenditures to account for tax receipts being posted net of County Auditor/Treasurer deductions.

In 2012:

- In the General Fund, a reclassification of \$2,213 was made from Taxes to Intergovernmental Revenue; a reclassification of \$2,024 was made from Miscellaneous to Intergovernmental Revenue to account for the misposting of an estate tax receipt; an adjustment of \$69 was made to increase Intergovernmental Revenue and General Government expenditures to account for estate tax receipt being posted net of County Auditor/Treasurer deductions; an adjustment of \$604 was made to increase Taxes and General Government expenditures to account for tax receipts being posted net of County Auditor/Treasurer deductions; an adjustment of \$727 was made from Intergovernmental Receipts to the Fire Levy Fund Taxes to account for tax monies posted to the wrong fund; an adjustment of \$145 was made from Other Financing Sources to the Road and Bridge Fund Taxes to account for tax monies posted to the wrong fund; and an adjustment of \$869 was made to increase General Government expenditures to account for an expenditure that was electronically transferred from the Township's bank account but not posted to the computer system and to account for errors identified in the cash reconciliation.
- In the Gasoline Tax Fund, a reclassification of \$15,934 was made from Capital Outlay to Principal, \$14,629, and Interest, \$1,305, for a debt payment.

**AID TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-03 (Continued)

Material Weakness (Continued)

2012 (Continued)

- In the Road and Bridge Fund, an adjustment of \$85 to increase Taxes and Public Works expenditures to account for tax monies being posted net of County Auditor/Treasurer deductions; and an adjustment of \$145 to Taxes to account for tax monies misposted to the General Fund.
- In the Motor Vehicle License Tax Fund, a reclassification of \$6,283 from Intergovernmental Receipts to Transfers-In to account for FEMA monies reimbursed during 2012 that were misposted to the Motor Vehicle License Tax Fund instead of the FEMA Fund.
- In the Fire Levy Fund, an adjustment of \$301 to increase Taxes and Public Safety expenditures to account for tax monies posted net of County Auditor/Treasurer deductions; a reclassification of \$42 from Taxes to Intergovernmental Revenue; a reclassification of \$14,218 from General Government to Public Safety to account for all expenditures made; and an adjustment of \$727 to Taxes to account for tax monies misposted to the General Fund.
- In the FEMA Fund, an adjustment of \$6,283 to increase Intergovernmental Receipts and Transfers-Out to properly account for FEMA monies received in 2012 for reimbursement of 2011 disasters.

The Fiscal Officer did not follow the UAN established account codes for all postings. This resulted in material audit adjustments and reclassifications to the financial statements as noted above. The audited financial statements and Township's accounting system reflect the above adjustments.

To ensure complete and accurate financial statements and notes to the financial statements, we recommend the Township adopts policies and procedures, including a final review of the statements and notes by the Fiscal Officer or the Board of Trustees.

FINDING NUMBER 2012-04

Material Weakness

Auditor of State Bulletin 2004-010 states an auditor can regard optical imaging of checks evidential matter when performing an audit. The Bulletin provides, in part, that a bank may use the electronic image to create a "substitute check" for a bank that chooses to continue receiving paper checks. This substitute check has the same legal effect as the original paper check. A substitute check is a paper reproduction of the original check that: contains an image of the front and back of the original check; bears a magnetic ink character recognition (MICR) line containing all of the information appearing on the original check's MICR line, with certain exceptions; conforms, in paper stock, dimension, and otherwise, with generally applicable banking industry standards for substitute checks; and is as suitable for automated processing as the original check. A substitute check that meets these requirements and bears the following legend is considered the legal equivalent of the original paper check.

**AID TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-04 (Continued)

Material Weakness (Continued)

For governments that do not receive their cancelled original or substitute checks, the Auditor of State suggests these governments request that their banks send images of the front and back of all issued checks. This will enable governments to review and scrutinize the transactions and ensure that the payees as well as the various endorsements are appropriate. As monthly bank statements are received, reconciliation between check numbers and the amounts paid should be conducted promptly.

If questionable items are identified, governments should immediately request their bank investigate these items for possible adjustment to the government's account. Furthermore, a government may want to request a substitute check or the best available source document from the bank (e.g., copy of the front and back of the check) when a questionable item is identified.

Beginning August 5, 2011, the Township no longer received images of the reverse side of checks from their bank. By not having the reverse side of the check, it is not possible to ensure that the payees as well as the various endorsements are appropriate. This could result in a lack of sufficient audit evidence or could relate in a failure to follow the records retention law.

We recommend the Fiscal Officer consult with the bank to have the bank provide images of both the front and reverse side of each canceled check for disbursements. As an alternative, the bank could send the original canceled checks back to the Township.

Officials' Response: We will attempt to take the necessary steps to correct these findings for the next audit. We will make appropriate changes to address these comments in order to be compliant.

**AID TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Material weakness regarding sound financial reporting.	No	Reissued as Finding Number 2012-03.
2010-02	Noncompliance Citation – Ohio Rev. Code Section 5705.36(A)(2)	No	Reissued as Finding Number 2012-01



Dave Yost • Auditor of State

AID TOWNSHIP

LAWRENCE 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 5, 2013**