



Mary Taylor, CPA  
Auditor of State



LEWIS TOWNSHIP  
BROWN COUNTY

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# Mary Taylor, CPA

Auditor of State

Lewis Township  
Brown County  
3025 Eden Road  
Hamersville, Ohio 45130

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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 2, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lewis Township  
Brown County  
3025 Eden Road  
Hamersville, Ohio 45130

To the Board of Trustees:

We have audited the accompanying financial statements of Lewis Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. 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, during 2008 and 2007, the Township prepared their 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.

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, 2008 and 2007 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, 2008 and 2007, 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 of the Lewis Township, Brown County, Ohio as of December 31, 2008 and 2007, 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 December 2, 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

December 2, 2009



**LEWIS TOWNSHIP  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Local Taxes	\$35,117	\$80,416		\$115,533
Intergovernmental	38,620	116,639		155,259
Earnings on Investments	2,608	58	\$16,366	19,032
Miscellaneous	200	2,200		2,400
	<u>76,545</u>	<u>199,313</u>	<u>16,366</u>	<u>292,224</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	34,832	9		34,841
Public Safety		66,408	32	66,440
Public Works	31,460	122,729		154,189
Health		3,077	16,813	19,890
Debt Service:				
Redemption of Principal	2,813		2,436	5,249
Interest and Fiscal Charges	2,066			2,066
Capital Outlay	9,700	437		10,137
	<u>80,871</u>	<u>192,660</u>	<u>19,281</u>	<u>292,812</u>
Total Receipts Over/(Under) Disbursements	(4,326)	6,653	(2,915)	(588)
Fund Cash Balances, January 1	<u>(1,706)</u>	<u>106,518</u>	<u>423,623</u>	<u>528,435</u>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$6,032)</u></b>	<b><u>\$113,171</u></b>	<b><u>\$420,708</u></b>	<b><u>\$527,847</u></b>

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

**LEWIS TOWNSHIP  
BROWN 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**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Local Taxes	\$35,610	\$79,202		\$114,812
Intergovernmental	39,611	110,438		150,049
Earnings on Investments	4,526	44	\$19,737	24,307
Miscellaneous	232	1,260		1,492
	<u>79,979</u>	<u>190,944</u>	<u>19,737</u>	<u>290,660</u>
<b>Total Cash Receipts</b>				
	<u>79,979</u>	<u>190,944</u>	<u>19,737</u>	<u>290,660</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	38,710	4		38,714
Public Safety		60,865		60,865
Public Works	15,435	102,308		117,743
Health	11,685	926		12,611
Capital Outlay	48,512	2,695	1,280	52,487
	<u>114,342</u>	<u>166,798</u>	<u>1,280</u>	<u>282,420</u>
<b>Total Cash Disbursements</b>				
	<u>114,342</u>	<u>166,798</u>	<u>1,280</u>	<u>282,420</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(34,363)</u>	<u>24,146</u>	<u>18,457</u>	<u>8,240</u>
<b>Other Financing Receipts:</b>				
Proceeds of Notes	30,000			30,000
	<u>30,000</u>			<u>30,000</u>
<b>Total Other Financing Receipts</b>				
	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>30,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements</b>	(4,363)	24,146	18,457	38,240
<b>Fund Cash Balances, January 1</b>	<u>2,657</u>	<u>82,372</u>	<u>405,166</u>	<u>490,195</u>
<b>Fund Cash Balances, December 31</b>	<u><b>(\$1,706)</b></u>	<u><b>\$106,518</b></u>	<u><b>\$423,623</b></u>	<u><b>\$528,435</b></u>

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

**LEWIS TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**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 Lewis Township, Brown County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road maintenance, and cemetery maintenance. The Township contracts with the Village of Higginsport and Clark Township in Brown County, to provide fire protection and life squad services.

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. Cash and Deposits**

The Township deposits all available funds in an interest earning checking account and certificates of deposit at a local commercial bank. All deposits are valued at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash deposits 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:

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

**LEWIS TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

Fire and EMS Levy Fund – This fund receives proceeds from the property tax levy for providing fire protection and emergency medical services to Township residents.

**3. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Wilson Trust – This fund received a large settlement from the Beatrice Wilson estate. Per instructions from the decedent's will, the earnings on the principal are to be used for the general maintenance and upkeep of the Township's cemetery.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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.

A summary of 2008 and 2007 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.

**LEWIS TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**2. Equity in Pooled Cash**

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

	2008	2007
Demand deposits	\$92,300	\$92,888
Certificates of deposit	435,547	435,547
Total deposits	\$527,847	\$528,435

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,923	\$76,545	\$622
Special Revenue	199,313	199,313	0
Permanent	16,366	16,366	0
Total	\$291,602	\$292,224	\$622

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,670	\$80,871	\$10,799
Special Revenue	305,831	192,660	113,171
Permanent	36,989	19,281	17,708
Total	\$434,490	\$292,812	\$141,678

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,649	\$109,979	\$330
Special Revenue	191,549	190,944	(605)
Permanent	19,703	19,737	34
Total	\$320,901	\$320,660	(\$241)

**LEWIS TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$129,888	\$114,342	\$15,546
Special Revenue	273,921	166,798	107,123
Permanent	21,739	1,280	20,459
Total	\$425,548	\$282,420	\$143,128

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of 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, 2008 was as follows:

	Principal	Interest Rate
Truck Lease Purchase Agreement	\$14,088	4.3%
Tractor Note	24,864	7%
Total	\$38,952	

In 2005, the Township entered into a lease-purchase agreement for the purchase of a new dump truck from the Ohio Township Association. Semi-annual lease payments are made to Key Bank. The Township reported the lease payments as capital outlay expenditures in the General Fund in 2007 and in the General Fund and Permanent Fund in 2008.

In 2007, the Township borrowed money from Citizen Bank to purchase a tractor. The loan is for five years.

**LEWIS TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. Debt (Continued)**

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

Year ending December 31:	Truck Lease/Purchase	Tractor Note
2009	\$14,542	\$7,315
2010		7,315
2011		7,315
2012		7,314
Total	\$14,542	\$29,259

**6. 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 the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, the OPERS member contributed 10% and 9.5%, respectively, of his gross salary and the Township contributed an amount equaling 14% and 13.85%, respectively, of the participant's gross salary. The Township has paid all contributions required through December 31, 2008.

**7. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**LEWIS TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. Risk Management (Continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Townships can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>



**LEWIS TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. Risk Management (Continued)**

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$2,720. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Township Contributions to OTARMA</u></b>	
2006	\$4,450
2007	2,588
2008	2,894

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**8. Negative General Fund Balance**

Interest earned on the Wilson Trust was credited to the General Fund in the amount of \$993 in 2008 and \$17,453 in 2008. Audit adjustments were posted to the accounting records on August 3, 2009 to properly report these earnings on investments in the Permanent Funds. These adjustments created the negative General Fund balances presented at December 31, 2008 and December 31, 2007. On August 3, 2009, the General Fund had a sufficient balance to post these adjustments without creating a deficit balance in the General Fund at that date.

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# 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*

Lewis Township  
Brown County  
3025 Eden Road  
Hamersville, Ohio 45130

To the Board of Trustees:

We have audited the financial statements of Lewis Township, Brown County, Ohio (the Township), as of and for the year ended December 31, 2008 and 2007, and have issued our report thereon dated December 2, 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 opinion 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 the 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.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-001 and 2008-003.

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. However, we believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated December 2, 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 to 2008-003.

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 December 2, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

December 2, 2009

**LEWIS TOWNSHIP  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Noncompliance Citation / Material Weakness**

**Ohio Rev. Code, Section 135.21**, requires that all investment earnings from custodial funds be credited to the fund to which the principal belongs. Interest earned on investments from the Wilson Trust, in the amount of \$17,453 in 2007 and \$993 in 2008, was improperly credited to the General Fund. The Township made fund balance adjustments to their accounting records to properly credit the interest to the Wilson Trust Fund, and those adjustments are reflected on the accompanying financial statements.

**FINDING NUMBER 2008-002**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(D)(1)**, prohibits a subdivision or taxing unit from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

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

2. Blanket 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.

**FINDING NUMBER 2008-002  
(Continued)**

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expenses. 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.

Contrary to the above requirement, the availability of funds was not certified for 10 of the 25 (40%) transactions tested for 2008 and 2007. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments received 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 that 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, however, "then and now" certifications should only be used in limited circumstances when prior certificate is not possible, and should not be used to avoid prior certification.

We recommend the Township personnel obtain the Fiscal Officer's certification of the availability of funds prior to incurring the commitment. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

**FINDING NUMBER 2008-003**

**Noncompliance / Material Weakness**

Ohio Admin. Code Section 117-2-01(D) states, in part, that when designing a public office's system of internal control and the specific control activities, management should consider:

- Ensuring that all transactions are properly authorized in accordance with management's policies; and
- Ensuring that accounting records are properly designed.

**FINDING NUMBER 2008-003  
(Continued)**

The following transactions were not posted to the correct transaction line-item account and were reported improperly on the annual financial report financial statements:

<b>Fund</b>	<b>Item</b>	<b>Amount</b>	<b>Financial Statement Transaction Line-Item Reported</b>	<b>Correct Financial Statement Transaction Line-Item</b>
<b>2007</b>				
General	KWH deregulation receipt	\$717	Taxes	Intergovernmental
General	Proceeds of the bank loan	30,000	Other Financing Sources	Proceeds of Notes
General	Cemetery mowing contract payments	11,685	Public Works	Health
General	Payments for road work	15,000	Health	Public Works
Special Revenue – Motor Vehicle License Tax Fund	Salaries and Medicare for employees who performed road work duties	3,802	Public Safety	Public Works
Special Revenue – Cemetery Fund	Cemetery Sexton's salary	862	General Government	Health
Special Revenue – Fire & EMS Levy Fund	KWH deregulation receipt	1,552	Taxes	Intergovernmental
<b>2008</b>				
General	KWH deregulation receipt	573	Taxes	Intergovernmental
General	Payments for road work	18,000	Health	Public Works
General	Payments for road work	12,000	Health	Public Works
Special Revenue – Motor Vehicle License Tax Fund	Salaries and Medicare for employees who performed road work duties	5,729	General Government	Public Works
Special Revenue – Cemetery Fund	Employees salaries and Medicare	2,680	Public Works	Health
Special Revenue – Fire & EMS Levy Fund	KWH deregulation receipt	411	Taxes	Intergovernmental
Permanent – Wilson Trust	Tractor debt payment	2,435	Health	Debt Service - Redemption of Principal

Failure to properly post transactions resulted in transactions being inaccurately classified in the annual report. The Township made reclassifications on the accompanying financial statements to correct the significant items. We recommend that the Fiscal Officer review the chart of accounts in the *Ohio Township Handbook* to assure that items are being posted to the proper account codes.

**We did not receive a response from officials regarding these findings.**

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**LEWIS TOWNSHIP  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Section 5705.41(D) prior certification for expenditures	No	Not corrected Repeated as 2008-002
2006-002	Section 5705.41(B) expenditures exceeded appropriations	Yes	





Mary Taylor, CPA  
Auditor of State

**LEWIS TOWNSHIP**

**BROWN 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  
DECEMBER 17, 2009**