



**Auditor of State  
Betty Montgomery**



LAWRENCE TOWNSHIP  
WASHINGTON COUNTY

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**Auditor of State  
Betty Montgomery**

Lawrence Township  
Washington County  
692 Bear Run Road  
Reno, Ohio 45773

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 a February 2, 2005 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 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 black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

September 2, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Lawrence Township  
Washington County  
692 Bear Run Road  
Reno, Ohio 45773

To the Board of Trustees:

We have audited the accompanying financial statements of Lawrence Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003. 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 Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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 statement referred to above for the year ended December 31, 2004 does 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Lawrence Township, Washington County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 September 2, 2005, 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.



**Betty Montgomery**  
Auditor of State

September 2, 2005

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 10,149	\$ 7,250	\$ 17,399
Intergovernmental	48,566	139,058	187,624
Earnings on Investments	19	28	47
Other Revenue	7,198		7,198
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	65,932	146,336	212,268
<b>Cash Disbursements:</b>			
Current:			
General Government	54,571	58	54,629
Public Safety	2,000		2,000
Public Works		123,118	123,118
Health	2,066		2,066
Capital Outlay		67,150	67,150
Debt Service:			
Redemption of Principal		4,012	4,012
Interest and Fiscal Charges		1,542	1,542
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	58,637	195,880	254,517
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	7,295	(49,544)	(42,249)
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Bonds		57,200	57,200
Advances-In		200	200
Advances-Out	(200)		(200)
Other Sources	12,171	2,400	14,571
Other Uses	(270)		(270)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	11,701	59,800	71,501
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	18,996	10,256	29,252
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	8,680	18,050	26,730
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 27,676</b>	<b>\$ 28,306</b>	<b>\$ 55,982</b>
	<hr/>	<hr/>	<hr/>

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

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 9,539	\$ 6,814	\$ 16,353
Intergovernmental	36,764	142,226	178,990
Earnings on Investments	14	10	24
Other Revenue	3,800	2,634	6,434
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	50,117	151,684	201,801
<b>Cash Disbursements:</b>			
Current:			
General Government	38,222		38,222
Public Safety	2,014		2,014
Public Works		146,867	146,867
Health	2,000		2,000
Miscellaneous		2,898	2,898
Debt Service:			
Redemption of Principal		3,733	3,733
Interest and Fiscal Charges		1,251	1,251
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	42,236	154,749	196,985
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	7,881	(3,065)	4,816
<b>Other Financing Receipts/(Disbursements):</b>			
Advances-In	1,000	1,000	2,000
Advances-Out	(1,000)	(1,000)	(2,000)
Other Sources	973	11,235	12,208
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	973	11,235	12,208
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	8,854	8,170	17,024
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	(174)	9,880	9,706
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$ 8,680</b>	<hr/> <b>\$ 18,050</b>	<hr/> <b>\$ 26,730</b>

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

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Lawrence Township, Washington County (the Township), 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and fire protection services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting 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 Investments**

The Township Clerk invests all available funds of the Township in an interest-bearing checking account.

**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 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 to pay for constructing, maintaining, and repairing Township roads.

Permissive Sales Tax Fund – This fund receives a portion of the County's permissive sales tax for constructing, maintaining, and repairing Township roads.

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**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 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 cancelled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 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.

**2. EQUITY IN POOLED CASH**

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 55,982	\$ 26,730

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

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 76,990	\$ 78,103	\$ 1,113
Special Revenue	240,455	206,136	(34,319)
Total	\$ 317,445	\$ 284,239	\$ (33,206)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 60,616	\$ 59,107	\$ 1,509
Special Revenue	197,230	195,880	1,350
Total	\$ 257,846	\$ 254,987	\$ 2,859

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 48,329	\$ 52,090	\$ 3,761
Special Revenue	155,989	163,919	7,930
Total	\$ 204,318	\$ 216,009	\$ 11,691

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 44,899	\$ 43,236	\$ 1,663
Special Revenue	199,428	155,749	43,679
Total	\$ 244,327	\$ 198,985	\$ 45,342

Contrary to Ohio law, actual expenditures exceeded appropriation authority in the Road and Bridge Fund by \$2,418 and Miscellaneous Special Revenue Fund by \$2,898 for the year ended December 31, 2003 and in the Gasoline Tax Fund by \$60,130 for the year ended December 31, 2004. Also contrary to Ohio law, forty percent of blanket certificates tested in 2003 had more than one blanket certificate outstanding for a particular line item appropriation and the Board of Trustees did not pass a resolution or ordinance establishing the threshold amount for the blanket certificates written after September 26, 2003.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions.

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**4. PROPERTY TAX (Continued)**

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, 2004 was as follows:

	Principal	Interest Rates
Promissory Note	\$ 8,946	7.50%
General Obligation Bonds	57,200	4.03%
Total	\$ 66,146	

The Township issued a promissory note in 2001 for \$20,163 for the purchase of a back hoe. The Township issued general obligation bonds in 2004 for \$57,200 to finance the purchase of a tractor and a mower. The note and the bonds are backed by the full faith and credit of the Township.

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

Year ending December 31:	Promissory Note	General Obligation Bonds
2005	\$ 4,984	\$ 11,346
2006	4,984	11,887
2007		12,319
2008		12,859
2009		13,399
Total	\$ 9,968	\$ 61,810

**6. RETIREMENT SYSTEM**

The Township's elected officials and 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.

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. RETIREMENT SYSTEM (Continued)**

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**7. SOCIAL BENEFIT PLAN**

One part-time employee of the Township contributes to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2004 and 2003, this employee contributed 6.2% of his gross salaries. The Township contributed an amount equal to 6.2% of participant's gross salaries through December 31, 2004.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

Financial Position

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

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,687,203	\$ 27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained Earnings	<u>\$ 17,046,241</u>	<u>\$ 16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained Earnings	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>

The Township also provides health, dental, and vision insurance coverage to the full-time employee through a private carrier.



## Auditor of State Betty Montgomery

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

Lawrence Township  
Washington County  
692 Bear Run Road  
Reno, Ohio 45773

To the Board of Trustees:

We have audited the financial statements of Lawrence Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 2, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated September 2, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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 or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-009. In a separate letter to the Township's management dated September 2, 2005, we reported other matters related to compliance we deemed immaterial.

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Lawrence Township  
Washington County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 2, 2005

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-001**

**Finding For Recovery**

Ohio Rev. Code Sections 507.09(A)(3) and (D)(5) state the Township Clerk shall be entitled to compensation of \$8,666 in townships having a budget of more than one hundred thousand, but not more than two hundred fifty thousand dollars, if the Township Clerk was elected prior to December 8, 2000. Ohio Rev. Code Sections 507.09(A)(4) and (D)(5) state the Township Clerk shall be entitled to compensation of \$11,143 in townships having a budget of more than two hundred fifty thousand, but not more than five hundred thousand dollars, if the Township Clerk was elected prior to December 8, 2000.

For 2003, the approved annual budget (as of February 13, 2003) of Lawrence Township was \$244,327. An amendment to the budget on October 9, 2003 increased it to \$250,123. A second amendment, on December 31, 2003, further increased the budget to \$261,822.

Edna K. Thomas, former Township Clerk, was serving a term as Township Clerk that began on April 1, 2000 and ended on March 31, 2004. She estimated her annual compensation based upon a budget of more than two hundred fifty thousand dollars, but less than five hundred thousand dollars. However, the actual budget (as of February 13, 2003), was less than two hundred fifty thousand dollars, but more than one hundred thousand dollars. For 2003, from February 13 through October 9, her compensation should have been based upon an annualized salary of \$8,666. However, it was actually based upon the higher rate of \$11,143. As a result, she received compensation at a higher rate than she was entitled to between February 13, 2003 and October 9, 2003, resulting in an overpayment of \$1,599.69 during this period. Prior to February 13, 2003, the Township's budget was a good faith estimate at an amount in excess of two hundred fifty thousand dollars, but the Township had not yet received the amended certificate of estimated resources.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Edna K. Thomas, former Township Clerk, and the Old Republic Surety Company, her bonding company, jointly and severally, in the amount of \$1,599.69, in favor of the General Fund of Lawrence Township.

**FINDING NUMBER 2004-002**

**Finding For Recovery – Repaid Under Audit**

Ohio Rev. Code Sections 505.24(A)(3) and (B)(5) state that Township Trustees shall be entitled to compensation of \$32.50 per day for a maximum of 200 days (annualized at \$6,500.00) in townships having a budget of more than one hundred thousand, but not more than two hundred fifty thousand dollars, if the Township Trustee was elected or appointed after December 8, 2000. Ohio Rev. Code Sections 505.24(A)(4) and (B)(5) state that Township Trustees shall be entitled to compensation of \$37.62 per day for a maximum of 200 days (annualized at \$7,524.00) in townships having a budget of more than two hundred fifty thousand, but not more than five hundred thousand dollars, if the Township Trustee was elected or appointed after December 8, 2000. In accordance with Ohio Rev. Code Section 505.24(C), the Board of Trustees had elected an annual salary method of compensation.

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**FINDING NUMBER 2004-002 (Continued)**

**Finding For Recovery – Repaid Under Audit (Continued)**

For 2003, the approved annual budget (as of February 13, 2003) of Lawrence Township was \$244,327. An amendment to the budget on October 9, 2003 increased it to \$250,123. A second amendment, on December 31, 2003, further increased the budget to \$261,822.

Gale D. DePuy, Township Trustee, was serving a term as Township Trustee that began on January 1, 2002 and ends on December 31, 2005. His estimated annual compensation was based upon a budget of more than two hundred fifty thousand dollars, but less than five hundred thousand dollars. However, the actual budget (as of February 13, 2003), was less than two hundred fifty thousand dollars, but more than one hundred thousand dollars. For 2003, from February 13 through October 9, his compensation should have been based upon an annualized salary of \$6,500.00. However, it was actually based upon the higher rate of \$7,524.00. As a result, he received compensation at a higher rate than he was entitled to between February 13, 2003 and October 9, 2003, resulting in an overpayment of \$661.33 during this period. Prior to February 13, 2003, the Township's budget was a good faith estimate at an amount in excess of two hundred fifty thousand dollars, but the Township had not yet received the amended certificate of estimated resources.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Gale D. DePuy, Township Trustee, Edna Thomas, former Township Clerk, and the Old Republic Surety Company, their bonding company, jointly and severally, in the amount of \$661.33, in favor of the General Fund (\$42.67), the Gasoline Tax Fund (\$448.00), and the Motor Vehicle License Tax Fund (\$170.66) of Lawrence Township.

This Finding for Recovery was repaid in full on September 23, 2005.

**FINDING NUMBER 2004-003**

**Finding For Recovery – Repaid Under Audit**

Ohio Rev. Code Sections 505.24(A)(3) and (B)(5) state that Township Trustees shall be entitled to compensation of \$32.50 per day for a maximum of 200 days (annualized at \$6,500.00) in townships having a budget of more than one hundred thousand, but not more than two hundred fifty thousand dollars, if the Township Trustee was elected or appointed after December 8, 2000. Ohio Rev. Code Sections 505.24(A)(4) and (B)(5) state that Township Trustees shall be entitled to compensation of \$37.62 per day for a maximum of 200 days (annualized at \$7,524.00) in townships having a budget of more than two hundred fifty thousand, but not more than five hundred thousand dollars, if the Township Trustee was elected or appointed after December 8, 2000. In accordance with Ohio Rev. Code Section 505.24(C), the Board of Trustees had elected an annual salary method of compensation.

For 2003, the approved annual budget (as of February 13, 2003) of Lawrence Township was \$244,327. An amendment to the budget on October 9, 2003 increased it to \$250,123. A second amendment, on December 31, 2003, further increased the budget to \$261,822.

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**FINDING NUMBER 2004-003 (Continued)**

**Finding For Recovery – Repaid Under Audit (Continued)**

Larrey C. Martin, Township Trustee, was serving a term as Township Trustee that began on January 1, 2002 and ends on December 31, 2005. His estimated annual compensation was based upon a budget of more than two hundred fifty thousand dollars, but less than five hundred thousand dollars. However, the actual budget (as of February 13, 2003), was less than two hundred fifty thousand dollars, but more than one hundred thousand dollars.

For 2003, from February 13 through October 9, his compensation should have been based upon an annualized salary of \$6,500.00. However, it was actually based upon the higher rate of \$7,524.00. As a result, he received compensation at a higher rate than he was entitled to between February 13, 2003 and October 9, 2003, resulting in an overpayment of \$661.33 during this period. Prior to February 13, 2003, the Township's budget was a good faith estimate at an amount in excess of two hundred fifty thousand dollars, but the Township had not yet received the amended certificate of estimated resources.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Larrey C. Martin, Township Trustee, Edna Thomas, former Township Clerk, and the Old Republic Surety Company, their bonding company, jointly and severally, in the amount of \$661.33, in favor of the General Fund (\$42.67), the Gasoline Tax Fund (\$362.66), and the Motor Vehicle License Tax Fund (\$256.00) of Lawrence Township.

This Finding for Recovery was repaid in full on October 7, 2005.

**FINDING NUMBER 2004-004**

**Finding For Recovery – Repaid Under Audit**

Ohio Rev. Code Sections 505.24(A)(3) and (B)(5) state that Township Trustees shall be entitled to compensation of \$32.08 per day for a maximum of 200 days (annualized at \$6,416.00) in townships having a budget of more than one hundred thousand, but not more than two hundred fifty thousand dollars, if the Township Trustee was elected or appointed before December 8, 2000. Ohio Rev. Code Sections 505.24(A)(4) and (B)(5) state that Township Trustees shall be entitled to compensation of \$37.14 per day for a maximum of 200 days (annualized at \$7,428.00) in townships having a budget of more than two hundred fifty thousand, but not more than five hundred thousand dollars, if the Township Trustee was elected or appointed before December 8, 2000. In accordance with Ohio Rev. Code Section 505.24(C), the Board of Trustees had elected an annual salary method of compensation.

For 2003, the approved annual budget (as of February 13, 2003) of Lawrence Township was \$244,327. An amendment to the budget on October 9, 2003 increased it to \$250,123. A second amendment, on December 31, 2003, further increased the budget to \$261,822.

George R. Rake, former Township Trustee, was serving a term as Township Trustee that began on January 1, 2000 and ended on December 31, 2003. His estimated annual compensation was based upon a budget of more than two hundred fifty thousand dollars, but less than five hundred thousand dollars. However, the actual budget (as of February 13, 2003), was less than two hundred fifty thousand dollars, but more than one hundred thousand dollars.

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**FINDING NUMBER 2004-004 (Continued)**

**Finding For Recovery – Repaid Under Audit (Continued)**

For 2003, from February 13 through October 9, his compensation should have been based upon an annualized salary of \$6,416.00. However, it was actually based upon the higher rate of \$7,428.00. As a result, he received compensation at a higher rate than he was entitled to between February 13, 2003 and October 9, 2003, resulting in an overpayment of \$653.58 during this period. Prior to February 13, 2003, the Township's budget was a good faith estimate at an amount in excess of two hundred fifty thousand dollars, but the Township had not yet received the amended certificate of estimated resources.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against George R. Rake, former Township Trustee, Edna Thomas, former Township Clerk, and the Old Republic Surety Company, their bonding company, jointly and severally, in the amount of \$653.58, in favor of the General Fund (\$42.17), the Gasoline Tax Fund (\$274.08), the Road and Bridge Fund (\$84.33), and the Motor Vehicle License Tax Fund (\$253.00) of Lawrence Township.

This Finding for Recovery was repaid in full on September 23, 2005.

**FINDING NUMBER 2004-005**

**Finding For Recovery**

Ohio Rev. Code Section 505.602 states that a board of township trustees may procure and pay all or any part of the cost of group life insurance to insure the lives of officers and full-time employees of the Township.

Edna K. Thomas, former Township Clerk, was serving a term as Township Clerk that began on April 1, 2000 and ended on March 31, 2004. On May 1, 2003, the Township paid a life insurance premium for Ms. Thomas for one year's coverage with the policy paid through April 30, 2004 at a cost of \$325.80. This resulted in the Township providing coverage for one month past the Clerk's term, which ended March 31, 2004, at a cost of \$27.15 for that month.

In addition, on January 26, 2004, the Township paid a life insurance premium for Ms. Thomas for one year's coverage on a second policy with the policy paid through December 31, 2004 at a cost of \$1,051.64. This resulted in the Township providing coverage for nine months past the Clerk's term, which ended March 31, 2004, at a cost of \$788.73 for those nine months. The net result of these two overpayments was an overpayment of benefits for Edna K. Thomas in the amount of \$815.88.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Edna K. Thomas, former Township Clerk, and the Old Republic Surety Company, her bonding company, jointly and severally, in the amount of \$815.88, in favor of the General Fund of Lawrence Township.

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**FINDING NUMBER 2004-006**

**Finding For Recovery**

On January 1, 2003, the Board of Township Trustees granted employee Patrick Garrett two weeks (ten working days) vacation. According to Mr. Garrett's timesheets for 2003, he was paid for eleven days of vacation instead of ten. At his rate of pay (which was \$10 per hour), the overpayment amounted to \$80.00.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Patrick Garrett, in the amount of \$80.00, in favor of the Gasoline Tax Fund of Lawrence Township.

**FINDING NUMBER 2004-007**

**Finding For Adjustment**

Ohio Rev. Code Section 505.24(C) requires trustees' salaries to be paid from the General Fund or from other Township funds in such proportions as the Board specifies by resolution. A board of township trustees may adopt by resolution either a salary method of compensation or a per diem method of compensation. The resolution should allocate the salaries based on the types of services provided by the Trustees. If a salary method of compensation is adopted by resolution, Ohio Rev. Code Section 505.24(C) requires that it consist of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division.

During our audit, we noted the Board of Trustees was paid a combined total of \$23,094 in 2004 and \$22,476 in 2003.

During 2003, the salaries of the Trustees were paid from the General Fund, Gasoline Tax Fund, Motor Vehicle License Fund and Road and Bridge Fund, but a resolution had not been adopted by the Board specifying how Trustee salaries would be allocated. In 2004, the Trustees were paid from the Gasoline Tax Fund and Motor Vehicle License Tax Fund. However, activities of an administrative nature, such as monthly Board meetings, should be paid from the General Fund.

On July 7, 2005, the Board of Trustees adopted a retroactive resolution authorizing the Trustees to be paid as follows for 2003: Trustee Gale D. DePuy to be paid one month from the General Fund, two months from the Motor Vehicle License Tax Fund, seven months from the Gasoline Tax Fund and two months from the Road and Bridge Fund; Trustee George R. Rake to be paid one month from the General Fund, three months from the Motor Vehicle License Tax Fund, five months from the Gasoline Tax Fund and three months from the Road and Bridge Fund; and Trustee Larrey C. Martin one month from the General Fund, three months from the Motor Vehicle License Tax Fund, six months from the Gasoline Tax Fund and two months from the Road and Bridge Fund.

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**FINDING NUMBER 2004-007 (Continued)**

**Finding For Adjustment (Continued)**

On July 7, 2005, the Board of Trustees adopted a retroactive resolution authorizing the Trustees to be paid as follows for 2004: Trustees Gale D. DePuy and Larrey C. Martin to be paid one month from the General Fund, one month from the Motor Vehicle License Tax Fund, and ten months from the Gasoline Tax Fund and Trustee Jerrold Eddy to be paid one month from the General Fund and eleven months from the Gasoline Tax Fund.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the General Fund, in favor of the Motor Vehicle License Tax Fund, in the amount of \$1,924.50 for 2004. This adjustment, representing one month of the Trustees' salaries in 2004, has been agreed to by management of the Township and is reflected in the accompanying financial statements. This adjustment was made on the Township records on October 15, 2005.

We recommend the Township annually adopt a resolution specifying how Trustees' salaries will be allocated. Each resolution should address the appropriate proportions and funds from which all salaries and fringe benefits are to be paid. Benefits such as health insurance and the employer's portion of retirement and Medicare should be paid out of the same funds, and in the same proportions, as the salaries.

**FINDING NUMBER 2004-008**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Actual expenditures exceeded appropriations at December 31, 2003, in the following funds:

Fund	Appropriation Authority	Actual Expenditures	Variance
Road and Bridge	\$ 12,176	\$ 14,594	\$ (2,418)
Miscellaneous Special Revenue	0	2,898	(2,898)

Actual expenditures exceeded appropriations at December 31, 2004, in the following fund:

Fund	Appropriation Authority	Actual Expenditures	Variance
Gasoline Tax	\$ 69,600	\$ 129,730	\$ (60,130)

This could result in the Township spending more money than is available to spend.

The Township Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Township Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

LAWRENCE TOWNSHIP  
WASHINGTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)

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

FINDING NUMBER 2004-009

**Noncompliance Citation**

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

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

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) 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 Village.

- b) 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months). 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.
- c) Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**FINDING NUMBER 2004-009 (Continued)**

**Noncompliance Citation (Continued)**

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Seventy-one percent of the expenditures tested for the audit period were not certified by the Clerk until after the liability had been incurred. Forty percent of blanket certificates tested in 2003 had more than one blanket certificate outstanding for a particular line item appropriation. We also found the Board of Trustees did not pass a resolution establishing the threshold amount for the blanket certificates written after September 26, 2003.

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

The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time a commitment is incurred, and only when the requirements of Section 5705.41(D) are satisfied. When prior certification is not possible, "then and now" certifications should be used. The Clerk should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

**LAWRENCE TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

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>
2002-41084-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5549.21 for failing to properly bid or approve the purchase of a backhoe in 2001.	Yes	N/A.
2002-41084-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for the failure to obtain the prior certification of the availability of funds prior to an obligation being incurred.	No	Not Corrected:  This issue is repeated in the current audit as Finding Number 2004-009.





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**LAWRENCE TOWNSHIP**

**WASHINGTON 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  
NOVEMBER 10, 2005**