



Mary Taylor, CPA
Auditor of State

**LAWRENCE TOWNSHIP
LAWRENCE COUNTY**

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LAWRENCE COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lawrence Township
Lawrence County
P.O. Box 104
Kitts Hill, Ohio 45645

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence Township, Lawrence County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Motor Vehicle License Tax, Gasoline Tax and Fire District Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence Township, Lawrence County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Motor Vehicle License Tax, Gasoline Tax, Fire District, FEMA and Public Works Projects Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2007, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Mary Taylor, CPA
Auditor of State

December 10, 2007

Lawrence Township, Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005

This discussion and analysis of Lawrence Township's (the Township) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 and 2005 are as follows:

Net assets of governmental activities increased \$16,719, or 8.33 percent in 2006. Net assets of governmental activities increased \$11,335, or 6.16 percent in 2005. The fund most affected by the increase in cash and cash equivalents in 2006 was the Gasoline Tax Fund, which realized the greatest increase in revenue in 2006. The fund most affected by the increase in 2005 was the Fire District Fund, which realized the greatest excess of receipts over disbursements in 2005.

The Township's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs. These receipts represent 39.13 percent of the total cash received for governmental activities during 2006 and 57.02 percent of the total cash received for governmental activities during 2005. Property tax receipts for 2006 and 2005 changed little as development within the Township has slowed.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determines when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year's end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position represent one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well, such as the condition of the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and gasoline taxes.

In the statement of net assets and the statement of activities, the Township has only governmental type activities:

Governmental activities. All of the Township's basic services are reported here. State and federal grants and property and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. For 2006, the Township's major governmental funds are the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Fire District Fund. For 2005, the Township's major governmental funds are the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Fire District Fund, FEMA Fund, and Public Works Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Lawrence Township, Lawrence County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2006 and 2005

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 and 2005 compared to 2004 on a modified cash basis:

	Governmental Activities		
	2006	2005	2004
Assets			
Cash and Cash Equivalents	\$200,668	\$183,949	\$172,614
Total Assets	\$200,668	\$183,949	\$172,614
Net Assets			
Restricted for:			
Other Purposes	\$180,271	\$154,134	\$137,110
Unrestricted	20,397	29,815	35,504
Total Net Assets	\$200,668	\$183,949	\$172,614

As mentioned previously, net assets of governmental activities increased \$16,719, or 8.33 percent during 2006 and increased \$11,335, or 6.16 percent during 2005.

Lawrence Township, Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005

Table 2 reflects the changes in net assets in 2006 and 2005. Listed below is a comparative analysis of government-wide data.

(Table 2)
Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$111,707	\$43,331
Capital Grants and Contributions		49,887
Total Program Receipts	111,707	93,218
General Receipts:		
Property and Other local Taxes	59,584	58,330
Grants and Entitlements Not Restricted	17,008	69,196
Interest	5,404	1,266
Miscellaneous	2,050	1,650
Total General Receipts	84,046	130,442
Total Receipts	195,753	223,660
Disbursements:		
General Government	67,007	60,723
Public Safety	56,000	25,000
Public Works	55,732	126,262
Health	295	340
Total Disbursements	179,034	212,325
Increase (Decrease) in Net Assets	16,719	11,335
Net Assets, January 1	183,949	172,614
Net Assets, December 31	\$200,668	\$183,949

Program receipts represent 57.07 percent of total receipts in 2006 and 41.68 percent of total receipts in 2005 and are primarily comprised of restricted intergovernmental receipts such as operating grants and contributions and capital grants and contributions.

General receipts represent 42.93 percent of the Township's total receipts for 2006 and 58.32 percent of the Township's total receipts for 2005, and of this amount, 70.89 percent are property and other local taxes in 2006 and 44.72 percent are property and other local taxes in 2005. Grants and entitlements not restricted to Specific Programs, Interest and Miscellaneous receipts make up the balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities.

Governmental Activities

If you look at the Statements of Activities on pages 10 and 18, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, public safety and public works, which account for 99.84 and 99.84 percent of all government disbursements, for 2006 and 2005 respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2006	2006	2005	2005
General Government	\$67,007	\$67,007	\$60,723	\$60,723
Public Safety	56,000	43,614	25,000	15,926
Public Works	55,732	(43,589)	126,262	42,118
Health	295	295	340	340
Total Expenses	\$179,034	\$67,327	\$212,325	\$119,107

The Township's Funds

Total governmental funds had receipts of \$195,753 and disbursements of \$179,034 in 2006 and had receipts of \$223,660 and disbursements of \$212,325 in 2005. In 2006, the greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the Gasoline Tax Fund increased \$34,763 in 2006 as the result of increased gasoline tax receipts from the state. In 2005, the greatest change within governmental funds occurred within the Fire District Fund. The fund balance of the Fire District Fund increased \$8,439 in 2005 as the result of increased tax receipts from the county.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

In 2006, General Fund final budget basis receipts were \$50,775 and \$49,455 in 2005. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2006 were \$68,206, \$7,844 under cash receipts. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2005 were \$61,991, \$6,617 under cash receipts.

Lawrence Township, Lawrence County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005

During 2006, the General Fund final budgeted receipts were equal to original budgeted receipts as there were no amendments during the year. In 2006, the difference between final budgeted receipts and actual receipts was significant, with actual receipts exceeding budgeted receipts by \$9,587. Final disbursements were budgeted at \$80,729 while actual disbursements were \$68,206. Although receipts exceeded expectations, appropriations were not amended. The result is the increase in fund balance of \$22,110 for 2006. In 2005, the difference between final budgeted receipts and actual receipts was significant, with actual receipts exceeding budgeted receipts by \$5,919. Final disbursements were budgeted at \$82,331 while actual disbursements were \$61,991. Although receipts exceeded expectations, appropriations were not amended. The result is the increase in fund balance of \$26,259 for 2005.

Debt

At December 31, 2006, the Township had no debt outstanding.

Current Financial Related Activities

Lawrence Township is strong financially. As the preceding information shows, the Township heavily depends on its taxpayers. However, financially the future is not without challenges.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lori Morris, Fiscal Officer, Lawrence Township, P.O. Box 104, Kitts Hill, Ohio 45645.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY
Statement of Net Assets - Modified Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$200,668</u>
<i>Total Assets</i>	<u><u>\$200,668</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$180,271
Unrestricted	<u>20,397</u>
<i>Total Net Assets</i>	<u><u>\$200,668</u></u>

See accompanying notes to the basic financial statements.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
		Operating Grants and Contributions	Governmental Activities
Governmental Activities			
General Government	\$67,007		(\$67,007)
Public Safety	56,000	\$12,386	(43,614)
Public Works	55,732	99,321	43,589
Health	295		(295)
<i>Total Governmental Activities</i>	<u>\$179,034</u>	<u>\$111,707</u>	<u>(\$67,327)</u>
General Receipts			
Property Taxes			59,584
Grants and Entitlements not Restricted to Specific Programs			17,008
Earning on Investments			5,404
Miscellaneous			2,050
<i>Total General Receipts</i>			<u>84,046</u>
Change in Net Assets			16,719
<i>Net Assets Beginning of Year</i>			<u>183,949</u>
<i>Net Assets End of Year</i>			<u><u>\$200,668</u></u>

See accompanying notes to the basic financial statements.

**LAWRENCE TOWNSHIP
LAWRENCE COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

	<u>General</u>	<u>Motor Vehicle License Tax</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$22,875	\$47,447	\$61,916	\$40,808	\$27,622	\$200,668
<i>Total Assets</i>	<u>\$22,875</u>	<u>\$47,447</u>	<u>\$61,916</u>	<u>\$40,808</u>	<u>\$27,622</u>	<u>\$200,668</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$904					\$904
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	21,971					21,971
Special Revenue Funds		\$47,447	\$61,916	\$40,808	\$27,622	177,793
<i>Total Fund Balances</i>	<u>\$22,875</u>	<u>\$47,447</u>	<u>\$61,916</u>	<u>\$40,808</u>	<u>\$27,622</u>	<u>\$200,668</u>

See accompanying notes to the basic financial statements

**LAWRENCE TOWNSHIP
LAWRENCE COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Motor Vehicle License Tax	Gasoline Tax	Fire District	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$37,077			\$30,351		\$67,428
Intergovernmental	19,486	\$7,923	\$88,920	4,541		120,870
Earnings on Investments	2,477	1,353	1,575			5,405
Miscellaneous	1,322			728		2,050
<i>Total Receipts</i>	<u>60,362</u>	<u>9,276</u>	<u>90,495</u>	<u>35,620</u>	<u>0</u>	<u>195,753</u>
Disbursements						
Current:						
General Government	67,007					67,007
Public Safety				56,000		56,000
Public Works			55,732			55,732
Health	295					295
Conservation - Recreation						0
Capital Outlay						0
<i>Total Disbursements</i>	<u>67,302</u>	<u>0</u>	<u>55,732</u>	<u>56,000</u>	<u>0</u>	<u>179,034</u>
<i>Net Change in Fund Balances</i>	(6,940)	9,276	34,763	(20,380)	0	16,719
<i>Fund Balances Beginning of Year</i>	<u>29,815</u>	<u>38,171</u>	<u>27,153</u>	<u>61,188</u>	<u>27,622</u>	<u>183,949</u>
<i>Fund Balances End of Year</i>	<u>\$22,875</u>	<u>\$47,447</u>	<u>\$61,916</u>	<u>\$40,808</u>	<u>\$27,622</u>	<u>\$200,668</u>

See accompanying notes to the basic financial statements

**LAWRENCE TOWNSHIP
LAWRENCE COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$35,953	\$35,953	\$37,077	\$1,124
Intergovernmental	14,255	14,255	19,486	5,231
Earnings on Investments	400	400	2,477	2,077
Miscellaneous	167	167	1,322	1,155
<i>Total Receipts</i>	<u>50,775</u>	<u>50,775</u>	<u>60,362</u>	<u>9,587</u>
Disbursements				
Current:				
General Government	79,929	79,929	67,911	12,018
Public Works	200	200		200
Health	500	500	295	205
Capital Outlay	100	100		100
<i>Total Disbursements</i>	<u>80,729</u>	<u>80,729</u>	<u>68,206</u>	<u>12,523</u>
<i>Net Change in Fund Balance</i>	(29,954)	(29,954)	(7,844)	22,110
<i>Fund Balance Beginning of Year</i>	28,887	28,887	28,887	0
Prior Year Encumbrances Appropriated	<u>929</u>	<u>929</u>	<u>929</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$138)</u>	<u>(\$138)</u>	<u>\$21,972</u>	<u>\$22,110</u>

See accompanying notes to the basic financial statements.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Motor Vehicle License Tax Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$7,200	\$7,200	\$7,923	\$723
Earnings on Investments	650	650	1,353	703
Miscellaneous	1	1		(1)
<i>Total Receipts</i>	<u>7,851</u>	<u>7,851</u>	<u>9,276</u>	<u>1,425</u>
Disbursements				
Current:				
Public Works	46,000	46,000		46,000
<i>Total Disbursements</i>	<u>46,000</u>	<u>46,000</u>	<u>0</u>	<u>46,000</u>
<i>Net Change in Fund Balance</i>	(38,149)	(38,149)	9,276	47,425
<i>Fund Balance Beginning of Year</i>	<u>38,171</u>	<u>38,171</u>	<u>38,171</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$22</u>	<u>\$22</u>	<u>\$47,447</u>	<u>\$47,425</u>

See accompanying notes to the basic financial statements.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$82,176	\$82,176	\$88,920	\$6,744
Earnings on Investments	480	480	1,575	1,095
Miscellaneous	1	1		(1)
<i>Total Receipts</i>	<u>82,657</u>	<u>82,657</u>	<u>90,495</u>	<u>7,838</u>
Disbursements				
Current:				
Public Works	<u>109,000</u>	<u>109,000</u>	<u>55,732</u>	<u>53,268</u>
<i>Total Disbursements</i>	<u>109,000</u>	<u>109,000</u>	<u>55,732</u>	<u>53,268</u>
<i>Net Change in Fund Balance</i>	(26,343)	(26,343)	34,763	61,106
<i>Fund Balance Beginning of Year</i>	<u>27,153</u>	<u>27,153</u>	<u>27,153</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$810</u></u>	<u><u>\$810</u></u>	<u><u>\$61,916</u></u>	<u><u>\$61,106</u></u>

See accompanying notes to the basic financial statements.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire District Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$29,410	\$29,410	\$30,351	\$941
Intergovernmental	57	57	4,541	4,484
Miscellaneous	1	1	728	727
<i>Total Receipts</i>	<u>29,468</u>	<u>29,468</u>	<u>35,620</u>	<u>6,152</u>
Disbursements				
Current:				
Public Safety	60,001	60,001	56,000	4,001
<i>Total Disbursements</i>	<u>60,001</u>	<u>60,001</u>	<u>56,000</u>	<u>4,001</u>
<i>Net Change in Fund Balance</i>	(30,533)	(30,533)	(20,380)	10,153
<i>Fund Balance Beginning of Year</i>	<u>61,188</u>	<u>61,188</u>	<u>61,188</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$30,655</u></u>	<u><u>\$30,655</u></u>	<u><u>\$40,808</u></u>	<u><u>\$10,153</u></u>

See accompanying notes to the basic financial statements.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$183,949</u>
<i>Total Assets</i>	<u><u>\$183,949</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$154,134
Unrestricted	<u>29,815</u>
<i>Total Net Assets</i>	<u><u>\$183,949</u></u>

See accompanying notes to the basic financial statements.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$60,723			(\$60,723)
Public Safety	25,000	\$9,074		(15,926)
Public Works	126,262	34,257	\$49,887	(42,118)
Health	340			(340)
<i>Total Governmental Activities</i>	<u>\$212,325</u>	<u>\$43,331</u>	<u>\$49,887</u>	<u>(\$119,107)</u>
		General Receipts		
		Property Taxes		58,330
		Grants and Entitlements not Restricted to Specific Programs		69,196
		Earning on Investments		1,266
		Miscellaneous		1,650
		<i>Total General Receipts</i>		<u>130,442</u>
		Change in Net Assets		11,335
		<i>Net Assets Beginning of Year</i>		<u>172,614</u>
		<i>Net Assets End of Year</i>		<u><u>\$183,949</u></u>

See accompanying notes to the basic financial statements.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY

Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Motor Vehicle License Tax	Gasoline Tax	Fire District	FEMA	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$29,815	\$38,171	\$27,153	\$61,188	\$18,547	\$9,075	\$183,949
<i>Total Assets</i>	<u>\$29,815</u>	<u>\$38,171</u>	<u>\$27,153</u>	<u>\$61,188</u>	<u>\$18,547</u>	<u>\$9,075</u>	<u>\$183,949</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$929						\$929
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	28,886						28,886
Special Revenue Funds		\$38,171	\$27,153	\$61,188	\$18,547	\$9,075	154,134
<i>Total Fund Balances</i>	<u>\$29,815</u>	<u>\$38,171</u>	<u>\$27,153</u>	<u>\$61,188</u>	<u>\$18,547</u>	<u>\$9,075</u>	<u>\$183,949</u>

See accompanying notes to the basic financial statements

**LAWRENCE TOWNSHIP
LAWRENCE COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Motor Vehicle License Tax	Gasoline Tax	Fire District	FEMA	Public Works Projects	Other Governmental Funds	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$34,694			\$29,077				\$63,771
Intergovernmental	19,309	\$6,716	\$77,427	3,634		\$49,887		156,973
Earnings on Investments	778	265	223					1,266
Miscellaneous	593		329	728				1,650
<i>Total Receipts</i>	<u>55,374</u>	<u>6,981</u>	<u>77,979</u>	<u>33,439</u>	<u>\$0</u>	<u>49,887</u>	<u>\$0</u>	<u>223,660</u>
Disbursements								
Current:								
General Government	60,723							60,723
Public Safety				25,000				25,000
Public Works			76,375			49,887		126,262
Health	340							340
Conservation - Recreation								0
Capital Outlay								0
<i>Total Disbursements</i>	<u>61,063</u>	<u>0</u>	<u>76,375</u>	<u>25,000</u>	<u>0</u>	<u>49,887</u>	<u>0</u>	<u>212,325</u>
<i>Net Change in Fund Balances</i>	(5,689)	6,981	1,604	8,439	0	0	0	11,335
<i>Fund Balances Beginning of Year</i>	<u>35,504</u>	<u>31,190</u>	<u>25,549</u>	<u>52,749</u>	<u>18,547</u>		<u>9,075</u>	<u>172,614</u>
<i>Fund Balances End of Year</i>	<u>\$29,815</u>	<u>\$38,171</u>	<u>\$27,153</u>	<u>\$61,188</u>	<u>\$18,547</u>	<u>\$0</u>	<u>\$9,075</u>	<u>\$183,949</u>

See accompanying notes to the basic financial statements

**LAWRENCE TOWNSHIP
LAWRENCE COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$35,688	\$35,688	\$34,694	(\$994)
Intergovernmental	13,198	13,198	19,309	6,111
Earnings on Investments	4,700	400	778	378
Miscellaneous	169	169	593	424
<i>Total Receipts</i>	<u>53,755</u>	<u>49,455</u>	<u>55,374</u>	<u>5,919</u>
Disbursements				
Current:				
General Government	81,531	81,531	61,652	19,879
Public Works	200	200		200
Health	500	500	340	160
Capital Outlay	100	100		100
<i>Total Disbursements</i>	<u>82,331</u>	<u>82,331</u>	<u>61,992</u>	<u>20,339</u>
<i>Net Change in Fund Balance</i>	(28,576)	(32,876)	(6,618)	26,258
<i>Fund Balance Beginning of Year</i>	34,674	34,674	34,674	0
Prior Year Encumbrances Appropriated	<u>831</u>	<u>831</u>	<u>831</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$6,929</u>	<u>\$2,629</u>	<u>\$28,887</u>	<u>\$26,258</u>

See accompanying notes to the basic financial statements.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Motor Vehicle License Tax Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$7,300	\$7,300	\$6,716	(\$584)
Earnings on Investments	321	321	265	(56)
Miscellaneous	1	1		(1)
<i>Total Receipts</i>	<u>7,622</u>	<u>7,622</u>	<u>6,981</u>	<u>(641)</u>
Disbursements				
Current:				
Public Works	<u>36,000</u>	<u>36,000</u>		<u>36,000</u>
<i>Total Disbursements</i>	<u>36,000</u>	<u>36,000</u>	<u>0</u>	<u>36,000</u>
<i>Net Change in Fund Balance</i>	(28,378)	(28,378)	6,981	35,359
<i>Fund Balance Beginning of Year</i>	<u>31,190</u>	<u>31,190</u>	<u>31,190</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,812</u>	<u>\$2,812</u>	<u>\$38,171</u>	<u>\$35,359</u>

See accompanying notes to the basic financial statements.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$82,500	\$82,500	\$77,427	(\$5,073)
Earnings on Investments	156	156	223	67
Miscellaneous	2	1	329	328
<i>Total Receipts</i>	<u>82,658</u>	<u>82,657</u>	<u>77,979</u>	<u>(4,678)</u>
Disbursements				
Current:				
Public Works	<u>107,000</u>	<u>107,000</u>	<u>76,375</u>	<u>30,625</u>
<i>Total Disbursements</i>	<u>107,000</u>	<u>107,000</u>	<u>76,375</u>	<u>30,625</u>
<i>Net Change in Fund Balance</i>	(24,342)	(24,343)	1,604	25,947
<i>Fund Balance Beginning of Year</i>	<u>25,549</u>	<u>25,549</u>	<u>25,549</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,207</u></u>	<u><u>\$1,206</u></u>	<u><u>\$27,153</u></u>	<u><u>\$25,947</u></u>

See accompanying notes to the basic financial statements.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire District Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$29,466	\$29,466	\$29,077	(\$389)
Intergovernmental			3,634	3,634
Miscellaneous			728	728
<i>Total Receipts</i>	<u>29,466</u>	<u>29,466</u>	<u>33,439</u>	<u>3,973</u>
Disbursements				
Current:				
Public Safety	<u>50,001</u>	<u>50,001</u>	<u>25,000</u>	<u>25,001</u>
<i>Total Disbursements</i>	<u>50,001</u>	<u>50,001</u>	<u>25,000</u>	<u>25,001</u>
<i>Net Change in Fund Balance</i>	(20,535)	(20,535)	8,439	28,974
<i>Fund Balance Beginning of Year</i>	<u>52,749</u>	<u>52,749</u>	<u>52,749</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$32,214</u>	<u>\$32,214</u>	<u>\$61,188</u>	<u>\$28,974</u>

See accompanying notes to the basic financial statements.

LAWRENCE TOWNSHIP
LAWRENCE COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
FEMA Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes				\$0
Intergovernmental				0
Miscellaneous				0
<i>Total Receipts</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>
Disbursements				
Current:				
Public Safety				0
Capital Outlay				0
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	0	0	0	0
Other Financing Sources (Uses)				
Other Financing Sources	<u>(18,547)</u>	<u>(18,547)</u>	<u>0</u>	<u>18,547</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(18,547)</u>	<u>(18,547)</u>	<u>0</u>	<u>18,547</u>
<i>Net Change in Fund Balance</i>	(18,547)	(18,547)	0	0
<i>Fund Balance Beginning of Year</i>	<u>18,547</u>	<u>18,547</u>	<u>18,547</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$18,547</u>	<u>\$18,547</u>

See accompanying notes to the basic financial statements.

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Note 1 – Reporting Entity

Lawrence Township, Lawrence County, Ohio (the Township), is a body politic and corporate 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 also has an elected Fiscal Officer.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services and maintenance of Township roads and bridges. The Township contracts with Lawrence Township Volunteer Fire Department for fire protection.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Township's major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

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

Fire District Fund – This fund receives property tax money for fire protection services.

FEMA Fund – This fund receives grants from the Federal Emergency Management Agency.

Public Works Projects Fund – This fund reflects activity for the emergency slip repair project of Township Road 112.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, function, object level for all funds. ORC Section 5705.38(C) requires the minimum level of control to be at the function level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

Cash accounts are valued at cost. The Township had not investments during the audit period.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Note 2 – Summary of Significant Accounting Policies (continued)

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants and construction, maintenance, and repair of Township roadways. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Compliance

A. Compliance

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not encumber all commitments required.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances that are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$906 for the General Fund for the year ended December 31, 2006. The encumbrances outstanding at year end (budgetary basis) amounted to \$929 for the General Fund for the year ended December 31, 2005.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Lawrence Township
Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 5 – Deposits and Investments (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property tax receipts received in 2006 represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005 (2006), was \$16.92 per \$1,000 of assessed value. The total assessed value of real property, public utility property, and tangible personal property upon which 2005 (2006) property tax receipts were based was \$24,443,440.

Note 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 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

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. Governments 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.

Lawrence Township
Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 7 – Risk Management (continued)

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. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 government.

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

Lawrence Township
Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 7 – Risk Management (continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. 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 \$6,000. 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.

<u>Contributions to OTARMA</u>	
2004	\$3,097
2005	\$3,129
2006	\$3,230

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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 occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Note 8 – Defined Benefit Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

For the years ended December 31, 2005 and 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 8.5 percent and 9 percent, respectively, of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent and 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$4,989, \$4,797 and \$4,278 respectively; 100 percent has been contributed for 2006, 2005 and 2004.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2006 local government employer contribution rates were 13.55 and 13.7 percent, respectively, of covered payroll; 4.0 percent in 2005 and 4.50 percent in 2006 of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Lawrence Township
Lawrence County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.



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*

Lawrence Township
Lawrence County
P.O. Box 104
Kitts Hill, Ohio 45645

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated December 10, 2007, wherein we 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 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 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.

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.

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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2006-001.

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



Mary Taylor, CPA
Auditor of State

December 10, 2007

**LAWRENCE TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

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.

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 ordinance or 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.

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 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.

In 2005 and 2006, twenty-nine percent and forty-three percent, respectively, of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**LAWRENCE TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

**FINDING NUMBER 2006-001
(Continued)**

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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

We recommend that no orders involving the expenditure of money be made unless the Fiscal Officer has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

Client Response: The Officials did not respond to this finding.



Mary Taylor, CPA
Auditor of State

LAWRENCE 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
DECEMBER 27, 2007**