



Mary Taylor, CPA
Auditor of State

LINCOLN TOWNSHIP
MORROW COUNTY

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Mary Taylor, CPA
Auditor of State

Lincoln Township
Morrow County
3149 County Road 169
Cardington, Ohio 43315

To the Board of Trustees:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 24, 2010

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lincoln Township
Morrow County
3149 County Road 169
Cardington, Ohio 43315

To the Board of Trustees:

We have audited the accompanying financial statements of Lincoln Township, Morrow County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Lincoln Township, Morrow County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2010, 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.

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

Mary Taylor, CPA
Auditor of State

September 24, 2010

**LINCOLN TOWNSHIP
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 63,712	\$ 63,456	\$ 127,168
Licenses, Permits, and Fees	3,003	4,007	7,010
Intergovernmental	21,501	108,813	130,314
Earnings on Investments	154	180	334
Miscellaneous		3,382	3,382
	<u>88,370</u>	<u>179,837</u>	<u>268,207</u>
Cash Disbursements:			
Current:			
General Government	66,417		66,417
Public Safety	2,271	43,900	46,171
Public Works		63,883	63,883
Health		19,954	19,954
Capital Outlay		3,328	3,328
Debt Service:			
Redemption of Principal	33,554		33,554
Interest and Other Fiscal Charges	2,370		2,370
	<u>104,612</u>	<u>131,065</u>	<u>235,677</u>
Total Receipts Over/(Under) Disbursements	<u>(16,242)</u>	<u>48,772</u>	<u>32,530</u>
Other Financing Receipts			
Line of Credit	30,000		30,000
Sale of Fixed Assets		1,073	1,073
Other Financing Sources	522		522
	<u>30,522</u>	<u>1,073</u>	<u>31,595</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	14,280	49,845	64,125
Fund Cash Balances, January 1	<u>1,042</u>	<u>256,690</u>	<u>257,732</u>
Fund Cash Balances, December 31	<u>\$ 15,322</u>	<u>\$ 306,535</u>	<u>\$ 321,857</u>

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

**LINCOLN TOWNSHIP
MORROW COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 49,782	\$ 80,900	\$ 130,682
Licenses, Permits, and Fees	3,545	3,854	7,399
Intergovernmental	12,467	107,253	119,720
Earnings on Investments	134	143	277
Miscellaneous		500	500
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	65,928	192,650	258,578
Cash Disbursements:			
Current:			
General Government	79,135		79,135
Public Safety	4,181	42,131	46,312
Public Works		70,521	70,521
Health	103	16,526	16,629
Capital Outlay		25,359	25,359
Debt Service:			
Redemption of Principal	3,405		3,405
Interest and Other Fiscal Charges	2,092		2,092
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	88,916	154,537	243,453
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	(22,988)	38,113	15,125
Other Financing Receipts:			
Sale of Fixed Assets		6,426	6,426
Other Financing Sources	1,853		1,853
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	1,853	6,426	8,279
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(21,135)	44,539	23,404
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	22,177	212,151	234,328
Fund Cash Balances, December 31	<u>\$ 1,042</u>	<u>\$ 256,690</u>	<u>\$ 257,732</u>

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

**LINCOLN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Lincoln Township, Morrow County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Cardington Fire Department to provide emergency medical and fire protection services.

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

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Fire District Fund – This fund receives property tax money to provide fire protection and emergency medical services to Township residents.

**LINCOLN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1, Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 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 Deposits

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

	<u>2009</u>	<u>2008</u>
Demand Deposits	<u>\$321,857</u>	<u>\$257,732</u>

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

**LINCOLN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and December 31, 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,300	\$118,892	\$40,592
Special Revenue	170,500	180,910	10,410
Total	\$248,800	\$299,802	\$51,002

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,342	\$104,612	(\$25,270)
Special Revenue	419,189	131,065	288,124
Total	\$498,531	\$235,677	\$262,854

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,000	\$67,781	(\$11,219)
Special Revenue	177,700	199,076	21,376
Total	\$256,700	\$266,857	\$10,157

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$110,409	\$88,916	\$21,493
Special Revenue	380,619	154,537	226,082
Total	\$491,028	\$243,453	\$247,575

4. Property Tax

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

**LINCOLN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax (Continued)

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, 2009 was as follows:

	Principal	Interest Rate
Promissory Note	\$40,904	4.37%

In 2003, the Township issued a promissory note to finance the purchase of an existing building and land to be used for a township hall. The note is unsecured.

In February 2009, the Township entered into a line of credit agreement with an initial interest rate of 5.5% that would allow the Township to borrow up to \$30,000. During fiscal year 2009, the Township borrowed \$30,000 and then paid it back and at December 31, 2009 the Township did not have an outstanding balance on this line of credit.

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

	Promissory Note
Year ending December 31:	
2010	5,497
2011	5,497
2012	5,497
2013	5,497
2014	5,497
2015-2018	21,988
Total	\$49,473

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**LINCOLN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. Management Plan

At December 31, 2008 and 2009, the Township had a General fund balance of \$1,042 and \$15,322, respectively.

In 2008, the Township reallocated inside millage to the General fund from the Road & Bridge fund in order to increase property tax revenue to cover the Township's General fund expenditures.

As of August 31, 2010, the Township's General fund balance was \$56,386.

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Mary Taylor, CPA

Auditor of State

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

Lincoln Township
Morrow County
3149 County Road 169
Cardington, Ohio 43315

To the Board of Trustees:

We have audited the financial statements of Lincoln Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 24, 2010 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 the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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.

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

Mary Taylor, CPA
Auditor of State

September 24, 2010

**LINCOLN TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness

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

Seven audit adjustments and reclassifications were necessary to accurately reflect receipts and expenditures on the financial statements. These adjustments and reclassifications ranged in dollar amounts from \$3,554 to \$30,000. Below are descriptions of the errors included on the financial statements provided by the client:

1. Principal retirement and interest and fiscal charges were not properly classified.
2. Proceeds from a line of credit obtained by the Township were not properly recorded as debt proceeds. The redemption of principal was not properly recorded as an expenditure but as a reduction of receipts.
3. Misclassification of Rollback & Homestead receipts as taxes rather than intergovernmental receipts.

The Township has posted these adjustments and reclassifications to their financial statements and accounting records. In addition, there were adjustments and reclassifications noted that were inconsequential to the overall financial statements of the Township and were not posted to December 31, 2009 and 2008 financial statements.

We recommend the Township implement additional procedures to provide assurance over the completeness and accuracy of information reported within the financial statements. Such procedures may include additional reviews of the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors and omissions.

We did not receive a response from Officials to this finding.

**LINCOLN TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Allocation of Trustee Compensation	Yes	N/A
2007-002	Financial Reporting	No	Re-issued as Finding 2009-001



Mary Taylor, CPA
Auditor of State

LINCOLN TOWNSHIP

MORROW 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 4, 2010**