



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

ELIZABETH TOWNSHIP
LAWRENCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	14
Corrective Action Plan	15

This page intentionally left blank.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Elizabeth Township
Lawrence County
1094 County Road 26
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the accompanying financial statements of Elizabeth Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Elizabeth Township, Lawrence County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

April 8, 2002

This page intentionally left blank.

**ELIZABETH TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$13,234	\$14,633	\$27,867
Intergovernmental	25,688	64,855	90,543
Earnings on Investments	75	229	304
Other Revenue	677		677
	<u>39,674</u>	<u>79,717</u>	<u>119,391</u>
Cash Disbursements:			
Current:			
General Government	37,071	3,319	40,390
Public Safety		22,223	22,223
Public Works		34,380	34,380
Miscellaneous		455	455
Debt Service:			
Redemption of Principal		7,036	7,036
Interest and Fiscal Charges		2,327	2,327
Capital Outlay		59,075	59,075
	<u>37,071</u>	<u>128,815</u>	<u>165,886</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>2,603</u>	<u>(49,098)</u>	<u>(46,495)</u>
Other Financing Sources:			
Proceeds from Capital Lease		27,500	27,500
Sale of Fixed Assets		19,442	19,442
Other Financing Sources		1,000	1,000
		<u>47,942</u>	<u>47,942</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	2,603	(1,156)	1,447
Fund Cash Balances, January 1	<u>7,825</u>	<u>32,580</u>	<u>40,405</u>
Fund Cash Balances, December 31	<u>\$10,428</u>	<u>\$31,424</u>	<u>\$41,852</u>
Reserve for Encumbrances, December 31	<u>\$334</u>	<u>\$607</u>	<u>\$941</u>

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

**ELIZABETH TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$12,670	\$13,870	\$26,540
Intergovernmental	20,977	57,437	78,414
Earnings on Investments	161	273	434
	33,808	71,580	105,388
Cash Disbursements:			
Current:			
General Government	43,967		43,967
Public Safety		8,067	8,067
Public Works		54,264	54,264
Miscellaneous		1,004	1,004
Debt Service:			
Redemption of Principal		6,571	6,571
Interest and Fiscal Charges		2,792	2,792
Capital Outlay		16,443	16,443
	43,967	89,141	133,108
Total Cash Receipts Over/(Under) Cash Disbursements	(10,159)	(17,561)	(27,720)
Other Financing Sources:			
Other Financing Sources		24,921	24,921
		24,921	24,921
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	(10,159)	7,360	(2,799)
Fund Cash Balances, January 1	17,984	25,220	43,204
Fund Cash Balances, December 31	\$7,825	\$32,580	\$40,405
Reserve for Encumbrances, December 31	\$0	\$0	\$0

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

**ELIZABETH TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Elizabeth Township, Lawrence County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publicly-elected Clerk. The Township provides general governmental services including road and bridge maintenance (public works) and fire protection (public safety).

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Cash accounts are valued at cost. The Township had no investments during the audit period.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

**ELIZABETH TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2001</u>	<u>2000</u>
Demand Deposits	<u>\$41,852</u>	<u>\$40,405</u>

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

**ELIZABETH TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000, follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 28,101	\$ 39,674	\$ 11,573
Special Revenue	<u>119,017</u>	<u>127,659</u>	<u>8,642</u>
Total	<u>\$ 147,118</u>	<u>\$ 167,333</u>	<u>\$ 20,215</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 40,043	\$ 37,405	\$ 2,638
Special Revenue	<u>126,821</u>	<u>129,422</u>	<u>(2,601)</u>
Total	<u>\$ 166,864</u>	<u>\$ 166,827</u>	<u>\$ 37</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 27,354	\$ 33,808	\$ 6,454
Special Revenue	<u>102,507</u>	<u>96,501</u>	<u>(6,006)</u>
Total	<u>\$ 129,861</u>	<u>\$ 130,309</u>	<u>\$ 448</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 44,850	\$ 43,967	\$ 883
Special Revenue	<u>119,000</u>	<u>89,141</u>	<u>29,859</u>
Total	<u>\$ 163,850</u>	<u>\$ 133,108</u>	<u>\$ 30,742</u>

Contrary to Ohio law, funds were not properly encumbered prior to incurring obligations.

**ELIZABETH TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located in 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, 2001 was as follows:

	Principal	Interest Rate
Capital Lease - Loader/Backhoe	\$32,798	5.75%
Capital Lease - Tractor/Mower	27,500	5.75%
Total	\$60,298	

The capital leases were issued to finance the purchase of a new loader/backhoe and a 1998 tractor/mower to be used for Township road maintenance. The leases are collateralized by the equipment financed.

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

Year ending December 31:	Capital Leases
2002	\$15,847
2003	15,847
2004	15,847
2005	15,847
2006	6,484
Total	\$69,872

**ELIZABETH TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance 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 Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

Property Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

ELIZABETH TOWNSHIP
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

7. RISK POOL MEMBERSHIP (Continued)

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, 2001 and 2000 (the latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
<u>Assets</u>	\$23,703,776	\$22,684,383
<u>Liabilities</u>	<u>9,379,003</u>	<u>8,924,977</u>
<u>Retained earnings</u>	<u>\$14,324,773</u>	<u>\$13,759,406</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
<u>Assets</u>	\$5,011,131	\$4,156,784
<u>Liabilities</u>	<u>647,667</u>	<u>497,831</u>
<u>Retained earnings</u>	<u>\$4,363,464</u>	<u>\$3,658,953</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Elizabeth Township
Lawrence County
1094 County Road 26
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the accompanying financial statements of Elizabeth Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 8, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statement are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item number 2001-40744-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 8, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 8, 2002.

Elizabeth Township
Lawrence County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

April 8, 2002

**ELIZABETH TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40744-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This Section also provides two "exceptions" to the above requirements:

- A Then and Now Certificate - If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of Board.

We found that no purchase orders or blanket certificates were signed by the Clerk or Trustees. Without the Clerk's signature, funds were not properly certified prior to a purchase commitment being made. By not certifying funds prior to a purchase commitment, this may cause the Township to obligate money it does not have.

We recommend the Township not expend funds without obtaining the fiscal officer's certificate prior to an obligation being incurred.

ELIZABETH TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40744-001	Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving expenditure of money are to be made unless there is a certificate of the fiscal officer attached.	No	Not corrected, a material noncompliance citation was issued through the same code section as finding No. 2001-40744-001.

**ELIZABETH TOWNSHIP
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-40744-001	Clerk intends to begin certifying funds prior to incurring obligations.	December 31, 2002	Lois Barcus, Clerk



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

ELIZABETH 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
MAY 21, 2002**