



Mary Taylor, CPA  
Auditor of State



ELIZABETH TOWNSHIP  
LAWRENCE COUNTY

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Mary Taylor, CPA  
Auditor of State

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

To the Board of Trustees:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 28, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Elizabeth Township  
Lawrence County  
159 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, 2007 and 2006. 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.

Except as discussed in paragraphs 6, 7, and 8, 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 fifth 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

During 2007, the Township improperly paid salaries and fringe benefits for the Board of Trustees from the Gasoline Tax Fund in the amount of \$20,958 that should have been paid from the General Fund. Due to the impact this adjustment would have on the General Fund, the Township has declined to make this adjustment this audit period.

During 2006, the Township improperly paid salaries and fringe benefits for the Board of Trustees from the Gasoline Tax Fund in the amount of \$22,683 that should have been paid from the General Fund. Due to the impact this adjustment would have on the General Fund, the Township has declined to make this adjustment this audit period.

Had the posting errors noted in the preceding two paragraphs been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have been decreased by \$43,641, and the Gasoline Tax Fund cash fund balance would have increased by \$43,641.

Also, in our opinion, except for the effects of such adjustments, if any, were made to the financial statements due to the errors described in the preceding three paragraphs, 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, Ohio, as of December 31, 2007 and 2006, 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 October 28, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

October 28, 2008



**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, 2007**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$17,859	\$33,477	\$51,336
Intergovernmental	18,053	103,993	122,046
Earnings on Investments	179	161	340
	<u>36,091</u>	<u>137,631</u>	<u>173,722</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	38,391	352	38,743
Public Safety		415	415
Public Works	8,650	120,368	129,018
Other		31,743	31,743
	<u>47,041</u>	<u>152,878</u>	<u>199,919</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(10,950)</u>	<u>(15,247)</u>	<u>(26,197)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In		1,000	1,000
Transfers-Out	(1,000)		(1,000)
Other Financing Sources	1,183	3,244	4,427
	<u>183</u>	<u>4,244</u>	<u>4,427</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(10,767)	(11,003)	(21,770)
Fund Cash Balances, January 1	<u>30,349</u>	<u>45,552</u>	<u>75,901</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$19,582</u></b>	<b><u>\$34,549</u></b>	<b><u>\$54,131</u></b>
Reserve for Encumbrances, December 31	<u>\$273</u>	<u>\$1,284</u>	<u>\$1,557</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, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$18,840	\$35,973	\$54,813
Intergovernmental	38,131	97,495	135,626
Earnings on Investments	103	148	251
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	57,074	133,616	190,690
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	35,851	5,000	40,851
Public Safety		16,438	16,438
Public Works		81,949	81,949
Health	200		200
Other		16,720	16,720
Debt Service:			
Redemption of Principal		6,132	6,132
Interest Charges		263	263
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	36,051	126,502	162,553
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	21,023	7,114	28,137
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts / (Disbursements):</b>			
Other Financing Sources	66	1,319	1,385
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	66	1,319	1,385
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	21,089	8,433	29,522
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1 (Restated - See Note 7)	9,260	37,119	46,379
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$30,349</b>	<b>\$45,552</b>	<b>\$75,901</b>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$344	\$1,661	\$2,005
	<hr/>	<hr/>	<hr/>

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

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 Elizabeth Township, Lawrence County (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, cemetery maintenance. The Township contracts with Elizabeth Township Volunteer Fire Department to provide fire 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:

Elizabeth Township Volunteer Fire Department - This fund receives property tax money which is remitted to the Elizabeth Township Volunteer Fire Department.

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

Both funds were significant special revenue funds for 2006 but only the Gasoline Tax Fund was significant for 2007.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**D. Budgetary Process**

The Ohio Revised Code requires that each 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. The Township did not file an appropriation measure during the audit period.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**E. 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.

**F. Cash**

The Township had one primary checking account during the audit period.

**2. Equity in Pooled Cash**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$54,131</u>	<u>\$75,901</u>

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

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$37,274	\$37,274
Special Revenue	0	141,875	141,875
Total	<u>\$0</u>	<u>\$179,149</u>	<u>\$179,149</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$48,314	(\$48,314)
Special Revenue	0	154,162	(154,162)
Total	<u>\$0</u>	<u>\$202,476</u>	<u>(\$202,476)</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,310	\$57,140	\$17,830
Special Revenue	127,292	134,935	7,643
Total	<u>\$166,602</u>	<u>\$192,075</u>	<u>\$25,473</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$36,395	(\$36,395)
Special Revenue	0	128,163	(128,163)
Total	<u>\$0</u>	<u>\$164,558</u>	<u>(\$164,558)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Special Revenue funds by \$48,314 and \$154,162, respectively, for the year ended December 31, 2007. In addition, budgetary expenditures exceeded appropriation authority in the General and Special Revenue funds by \$36,395 and \$128,163, respectively, for the year ended December 31, 2006. In addition, contrary to Ohio law, the Township did not pass an appropriation measure for 2007 and 2006.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**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.

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. Retirement System**

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

The Ohio Revised Code prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equal to 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all employer contributions required through December 31, 2007.

**6. Risk Management**

**Risk Pool Membership**

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.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. Risk Management (continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000

in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP'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).

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective 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, 2007 and 2006:

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

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. Risk Management (continued)**

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000. 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.

Contributions to OTARMA	
2005	\$ 4,611
2006	\$ 3,979
2007	\$ 3,202

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

**7. Restatement of Beginning Balances**

The January 1, 2006 balances were restated as follows:

Fund Type	12/31/2005 Balance	Restated 1/1/2006 Balance	Restatement
General	\$7,054	\$9,260	\$2,206
Special Revenue	39,325	37,119	(2,206)
Total	<u>\$46,379</u>	<u>\$46,379</u>	<u>\$0</u>

These restatements were due to the Township not posting an adjustment prepared by the IPA in the 2005 and 2004 audit to the books.





# 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*

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

To the Board of Trustees:

We have audited the financial statements of Elizabeth Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 28, 2008, 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 issued a qualified opinion on the 2007 and 2006 financial statements of the General and Special Revenue Funds due to the Township declining to make adjustments this audit period for improper postings. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-002, 2007-006, 2007-007, and 2007-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-002 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 28, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 28, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

October 28, 2008

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

Ohio Rev. Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in Section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of Section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under Section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of Section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of Section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of Section 505.60 of the Revised Code.

Attorney General Opinion No. 2005-038 determined that township officer's and employees could be reimbursed for out-of-pocket premium expenses attributable to an officer/employee that are obtained through a spouse's employer. However, the reimbursement through a spouse's plan is limited to the "out-of-pocket premium that the officer or employee incurs", because the policies described in Section 505.60(A) do not include family coverage.

The Township reimbursed Township Officials for family coverage for the years 2006 and 2007, which was in excess of their actual out-of-pocket premium expenses attributable to them only in the amount of \$9,578.

Our audits of townships during this audit period have revealed ambiguity in the interpretation of the township reimbursement provisions as demonstrated by various options submitted by prosecuting attorneys. In addition, legislation has been introduced and passed by the Ohio House of Representatives to extend reimbursement for township employees and officials for family coverage. Therefore, we will not issue Findings for Recovery for the overpayment for the remainder of the current audit period.

We recommend the Township revise its health care premium reimbursement policy to limit reimbursement to amounts attributable to township officials and employees only, unless and until the legislature passes Am. H.B. No. 458.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-002**

**Finding for Adjustment/Material Weakness**

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustee's document all time spent on township business and the type of service(s) performed, in a manner similar to trustee's paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the Elizabeth Township management letter for the audit conducted for years ending December 31, 2005 and 2004.

For 2007 and 2006, the Township paid the salaries of the Board of Trustees from the Gasoline Tax Fund. The Board of Trustees did not establish administrative procedures or keep records documenting their time spent on Township business and the type of services performed on these funds. The Township should pay the Trustees' salaries from the General Fund unless the Trustees adopt administrative procedures to document the proportionate amount of Trustees' salaries chargeable to other Township funds.

As a result of the foregoing facts, a Finding For Adjustment is hereby issued against the Township's General Fund in the amount of \$43,641 and in favor of the Gasoline Tax Fund.

The Fiscal Officer has not posted this adjustment to the Township records because it would result in a negative General Fund balance and, therefore, the accounting records and the accompanying financial statements do not reflect this adjustment.

We recommend the Township adopt formal administrative procedures regarding documenting the time spent by Board of Trustees on various duties. Once these administrative procedures are established, the Fiscal Officer should charge the trustee salaries and related benefits to the applicable funds in accordance with the timesheets or other similar method of record keeping.

ELIZABETH TOWNSHIP  
LAWRENCE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)

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

FINDING NUMBER 2007-003

**Noncompliance Citation**

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

In 2006 and 2007, the Township did not approve appropriations, thus causing all expenditures from all funds to exceed appropriations. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations, in addition to those already adopted, will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2007-004

**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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

ELIZABETH TOWNSHIP  
LAWRENCE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)

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

FINDING NUMBER 2007-004 (Continued)

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

**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.

The Township failed to approve permanent appropriations; therefore, 100% of disbursements tested in 2006 and 2007 had invoice dates preceding the encumbrance date. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also 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 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 the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41 (D) require to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Section 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2007-005

Noncompliance Citation

Ohio Rev. Code Section 5705.38(C) requires the following minimum level of budgetary control for subdivisions: Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-005 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.38(C) (Continued)**

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balance, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1 of the current year.

The Board of Trustees did not approve permanent annual appropriations for 2006 or 2007. This resulted in all expenditures exceeding appropriations due to the Township making expenditures between January 1, 2006 and December 31, 2007.

This could result in negative fund balances if the Trustees do not monitor expenditures and appropriations.

We recommend the Board of Trustees approve annual appropriations to satisfy the minimum level of budgetary control on or about the first day of January each year or approve temporary appropriations in December of the preceding year until the permanent appropriations can be approved in January.

**FINDING NUMBER 2007-006**

**Noncompliance Citation - Significant Deficiency**

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

- Ensure proper design of accounting records.
- Ensure adequate security of assets and records.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The original records obtained from the Fiscal Officer lacked supporting documentation for all cash disbursements during January, February, and March of 2006. We also noted 7% of disbursements tested in which canceled checks were missing. The Fiscal Officer failed to keep supporting documentation attached to the vouchers. We were able to apply alternative audit procedures for these expenditures lacking documentation.

This could raise questions regarding the validity of these transactions.

We recommend supporting documentation be maintained for all payroll and non-payroll disbursements of the Township. The Fiscal Officer should maintain all canceled checks.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-007**

**Significant Deficiency**

The Township should use only checks generated on the Uniform Accounting Network (UAN) system. The printed checks should match the information in the UAN system and should be in chronological order.

We noted 20 manual checks prepared during 2007 and 2006 that the information entered into the system did not match the canceled checks. In addition, we noted 30 instances that check numbers entered into the system for checks generated on the UAN system did not match the check numbers printed.

Due to the check information on the UAN system not agreeing to the canceled checks, this resulted in a more cumbersome process for the Fiscal Officer to perform the monthly bank reconciliation. This could raise questions as to the integrity of data entered into the UAN accounting system.

The Fiscal Officer should only issue checks generated on the UAN system and exercise due care to ensure that the checks printed match the information in the system.

**FINDING NUMBER 2007-008**

**Significant Deficiency**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The financial statements included the following errors requiring adjustment or reclassification:

- In 2006, the Township posted:
  - Public Works expenditures to the Public Safety line item totaling \$34,451.
  - Homestead and rollback, personal property tax exemption reimbursement and public utilities deregulation monies totaling \$3,078 to Taxes in the General, Road & Bridge and Fire Funds instead of as Intergovernmental Receipts.
  - Real estate taxes of \$2,253 as Intergovernmental in the General, Road & Bridge and Fire Funds instead of as Tax Receipts.
  - Gas tax monies totaling \$2,605 to the Motor Vehicle License Fund instead of the Gas Tax Fund.
- In 2007, the Township posted:
  - Public Works expenditures to the Public Safety line item totaling \$47,526.
  - Homestead and rollback, personal property tax exemption reimbursement and public utilities deregulation monies totaling \$3,087 to Taxes in the General, Road & Bridge and Fire Funds instead of as Intergovernmental Receipts.
  - Real estate taxes of \$2,253 as Intergovernmental in the General, Road & Bridge and Fire Funds instead of as Tax Receipts.
  - Revenue assistance monies totaling \$9,085 was posted as Taxes instead of Intergovernmental in the Motor Vehicle License Fund. Also, Motor Vehicle License Fund Receipts were misposted to the General Fund in the amount of \$788.

The Fiscal Officer did not follow the UAN established account codes. This resulted in material audit adjustments and reclassifications to the financial statements as noted above.



**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2007-008 (Continued)**

**Significant Deficiency (Continued)**

To ensure complete and accurate financial statements and notes to the financial statements, we recommend the Township adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer or Board of Trustees, to identify and correct errors or omissions.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeding appropriations.	No	Not Corrected. See Finding 2007-003.
2005-002	Ohio Rev. Code Section 5405.41(D) – Certifying the availability of funds.	No	Not Corrected. See Finding 2007-004.
2005-003	Reportable Condition – printed checks did not match info in the UAN system.	No	Not Corrected. See Finding 2007-006.



**Mary Taylor, CPA**  
Auditor of State

**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  
NOVEMBER 13, 2008**