



Dave Yost • Auditor of State

LEMON TOWNSHIP
BUTLER COUNTY

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Dave Yost • Auditor of State

Lemon Township
Butler County
3839 Northbrook Lane
Middletown, Ohio 45044

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 1, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lemon Township
Butler County
3839 Northbrook Lane
Middletown, Ohio 45044

To the Board of Trustees:

We have audited the accompanying financial statements of Lemon Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. 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(A) mandates 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.

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, 2010 and 2009 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, 2010 and 2009, 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 Lemon Township, Butler County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2012, 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.



Dave Yost
Auditor of State

March 1, 2012

**LEMON TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$221,040	\$13,337	\$234,376
Licenss, Permits, and Fees	11,215	0	11,215
Fines and Forfeitures	14,122	1,676	15,798
Intergovernmental	95,650	95,169	190,819
Special Assessments	0	985	985
Earnings on Investments	211	517	728
Miscellaneous	408	0	408
Total Cash Receipts	342,645	111,683	454,328
Cash Disbursements:			
Current:			
General Government	146,750	0	146,750
Public Safety	236,945	307	237,252
Public Works	0	118,960	118,960
Health	0	70,000	70,000
Capital Outlay	0	2,320	2,320
Total Cash Disbursements	383,695	191,587	575,282
Total Receipts (Under) Disbursements	(41,051)	(79,904)	(120,954)
Fund Cash Balances, January 1	148,158	551,027	699,185
Fund Cash Balances, December 31	\$107,107	\$471,124	\$578,231

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

**LEMON TOWNSHIP
BUTLER 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**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$243,167	\$6,027	\$249,194
Licenses, Permits, and Fees	11,703	0	11,703
Fines and Forfeitures	13,057	1,703	14,760
Intergovernmental	90,367	110,083	200,451
Special Assessments	0	8,303	8,303
Earnings on Investments	2,222	2,498	4,720
Miscellaneous	189	0	189
Total Cash Receipts	360,705	128,614	489,319
Cash Disbursements:			
Current:			
General Government	154,655	0	154,655
Public Safety	237,616	499	238,115
Public Works	3,000	191,121	194,121
Health		11,433	11,433
Capital Outlay		0	0
Total Cash Disbursements	395,270	203,053	598,323
Total Receipts (Under) Disbursements	(34,565)	(74,439)	(109,004)
Fund Cash Balances, January 1	182,723	625,466	808,189
Fund Cash Balances, December 31	\$148,158	\$551,027	\$699,185

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

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 the Lemon Township, Butler County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township contracts with the City of Monroe to provide road and bridge maintenance, cemetery maintenance, police protection, fire protection, and emergency medical services.

The Township participates in the Ohio Government Risk Management Plan, which is a public entity risk pool. Note 6 to the Financial Statements provide additional information for this entity.

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. Cash Deposits

The Township's funds are kept in an interest bearing bank accounts, also, the township values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than 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:

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

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

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.

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

A summary of 2010 and 2009 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 and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. Equity in Pooled Deposits (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

	2010	2009
Demand deposits	\$428,231	\$549,185
Certificates of deposit	150,000	150,000
Total deposits	578,231	699,185

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$540,621	\$343,161	(\$197,460)
Special Revenue	645,331	111,167	(534,164)
Total	\$1,185,952	\$454,328	(\$731,624)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$540,622	\$383,695	\$156,927
Special Revenue	645,330	191,587	453,743
Total	\$1,185,952	\$575,282	\$610,670

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$603,214	\$360,705	(\$242,509)
Special Revenue	718,196	128,614	(589,582)
Total	\$1,321,410	\$489,319	(\$832,091)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$603,214	\$395,270	\$207,944
Special Revenue	671,317	203,053	468,264
Total	\$1,274,531	\$598,323	\$676,208

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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 Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

6. Risk Management

Risk Pool Membership

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Risk Management (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009, and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Related Party Transactions

A Township Trustee's father is the Mayor of the City of Monroe. The Township has a major contract with the city of Monroe in which the city provides Police, Fire, Public Works, and Cemetery services to the Township. The Township paid \$417,222 and \$413,410 to the City during 2010 and 2009, respectively.

8. Compliance

- The Township did not maintain accurate accounting records and financial statements.



Dave Yost • Auditor of State

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

Lemon Township
Butler County
3839 Northbrook Lane
Middletown, Ohio 45044

To the Township Board of Trustees:

We have audited the financial statements of Lemon Township Butler County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 1, 2012 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 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(A) mandates 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 identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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 combination of deficiencies in internal control such that there is a reasonable possibility that material misstatements of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider finding 2010-003 described in the accompanying schedule of findings to be a significant deficiency.

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 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 1, 2012.

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



Dave Yost
Auditor of State

March 1, 2012

**LEMON TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Noncompliance/ Material Weakness

Ohio Admin. Code Section 117-2-02 states, in part that:

(A) All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by 117-2-03 of the Administrative Code.

The Township's Cash Basis Annual Financial Report filed with the Auditor of State and presented for audit for the years ending December 31, 2010 and 2009 had significant misclassifications and posting errors. These misclassifications included postings to the wrong line items and funds.

The Township had the following posting errors in 2010 and 2009 which resulted in audit adjustments and reclassifications to the financial statements:

- Homestead Rollback receipts were posted to General Fund Taxes in both 2010 and 2009 in the amounts of \$23,781 and \$24,234 respectively. These amounts should be posted as General Fund Intergovernmental Receipts.
- Gas Tax was posted to General Fund Intergovernmental Receipts in both 2010 and 2009 in the amounts of \$7,083 and \$9,493 respectively. In 2009, the Township also posted \$2,451 of Gas Tax receipts as Permissive Motor Vehicle License Tax Fund Intergovernmental receipts. These amounts should be posted as Special Revenue Gas Tax Intergovernmental Receipts.
- In 2009 we noted, Jag Grant receipts in the amount of \$7,844 was posted to General Fund Taxes instead of to Special Revenue Drug Law Enforcement-Intergovernmental.
- In 2010 and 2009, we noted Permissive Motor Vehicle License receipts of \$3,076 and \$1,033 respectively were posted to General Fund Taxes. In 2009, the Township also posted \$2,002 of Permissive Motor Vehicle License receipts as Miscellaneous Receipts in the General fund. These amounts should be posted to Special Revenue Intergovernmental.
- Road mileage receipts of \$344 in 2010 were posted to General Fund Taxes instead of to the Motor Vehicle License Tax Special Revenue fund Intergovernmental.
- During 2010, Estate tax of \$6,485 was posted to General Fund taxes instead of General Fund intergovernmental receipts.
- During 2010, Fines and Forfeitures of \$1,182 were posted to General Fund Intergovernmental receipts instead of General Fund fines and forfeitures.
- During 2009, Permissive Motor Vehicle License tax levied by Butler County of \$13,318 was posted as taxes instead of Intergovernmental receipts.

**FINDING NUMBER 2010-001
(Continued)**

- During both fiscal years 2009 and 2010, the Township posted Real Estate settlement tax receipts at net of applicable auditor and treasurer fees totaling unrecorded taxes and fees of \$2,553 in 2009 and \$4,548 in 2010.
- During 2009, Permissive Motor Vehicle License tax and Motor Vehicle License tax were incorrectly posted between the two funds resulting in a net adjustment of \$600 to increase Intergovernmental receipts in the Permissive Motor Vehicle License tax fund and decrease Intergovernmental receipts in the Motor Vehicle License tax fund.
- In 2009 \$3,662 in Local Government funds was posted to as Intergovernmental receipts in the Gas Tax Special Revenue fund instead of to General Fund Intergovernmental receipts.
- Special Assessments receipts were posted to the Special Assessments Special Revenue fund Taxes in both 2010 and 2009 in the amounts of \$985 and \$8,303 respectively. These amounts should be posted as Special Assessments Fund Intergovernmental Receipts.
- In 2009 \$891 in interest earned on a certificate of deposit was recorded as taxes in the General fund rather than earning on investments in the General fund, Motor Vehicle License Tax fund, and Gasoline Tax fund.

As a result of these errors and other errors not listed, receipts for certain line items and funds were incorrectly reported on the Annual Report. Significant reclassifications and adjustments were made to individual line items and funds on the financial statements and accounting records. We recommend due care be exercised when posting entries to the cash journal to prevent errors and assist in properly reflecting the Township's financial activity in the annual report.

FINDING NUMBER 2010-002

Noncompliance

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

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

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**FINDING NUMBER 2010-002
 (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.

In fiscal year 2009 and 2010, forty percent (40%) and sixty percent (60%) of the transactions tested respectively did not have certification prior to the obligation date and none of the three exceptions provided above were utilized. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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 certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

FINDING NUMBER 20010-003

Significant Deficiency

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts.

Estimated receipts were not properly posted to the budgetary financial accounting system at December 31, 2009 as follows:

Fund	Estimated Receipts	Estimated Receipts posted to the UAN system	Variance
Gasoline Tax Fund	\$106,167	\$80,675	(\$25,492)
Lighting District Fund	9,127	9,176	51

**FINDING NUMBER 20010-003
(Continued)**

Failure to properly post estimated receipts can result in the inability to monitor unrealized budgetary receipts timely and accurately. We recommend the Township properly post estimated receipts to the financial accounting system. Once posted, the Fiscal Officer and the Trustees should compare the estimated resources on the accounting system to the official documents. The amounts contained in Note 3, Budgetary Activity, presented in the financial statements are the amounts certified to the county auditor and not the amounts recorded in the UAN system. Had the note been prepared using the budgetary amounts entered into the financial system, audit adjustments would have been needed as noted in the table above in order to accurately present the Township's budgetary activity.

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

**LEMON TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Transactions not posted in a timely manner	Yes	
2008-002	ORC 135.21	No	Management letter comment
2008-003	OAC 117-2-01(D) and ORC 5705.10(D) – Properly posting receipts	No	Not corrected-Repeated as Finding 2010-001
2008-004	ORC 505.24 (C) Trustees Compensation	Yes	
2008-005	ORC 5705.41(D)(1) – Not Properly Encumbering	No	Not corrected- Repeated as Finding 2010-002
2008-006	ORC 5705.41(B) – Expending funds without being appropriated	Yes	
2008-007	Failure to post estimate resources and appropriations to the accounting system	No	Estimated Resources not properly posted – Finding 2010-003

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Dave Yost • Auditor of State

LEMON TOWNSHIP

BUTLER 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
MARCH 22, 2012