



Dave Yost • Auditor of State

LEMON TOWNSHIP
BUTLER COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lemon Township
Butler County
3839 Northbrook Lane
Middletown, Ohio 45044

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Lemon Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The Township failed to account for and report in a special revenue fund the financial activity related to the Fire District levy. As a result, the Township overstated General Fund Property and Other Local Taxes receipts and Public Safety disbursements by \$114,995 and \$114,913 for 2012 and 2011 respectively. The Township also understated the Special Revenue Fund Property and Other Local Taxes receipts and Public Safety disbursements by \$114,995 and \$114,913 for 2012 and 2011 respectively.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Lemon Township, Butler County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Lemon Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2014

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**LEMON TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$337,007	\$12,907	\$349,914
Licenses, Permits and Fees	11,051		11,051
Fines and Forfeitures	7,030	1,654	8,684
Intergovernmental	84,123	85,135	169,258
Earnings on Investments	227	23	250
Miscellaneous	4,530		4,530
<i>Total Cash Receipts</i>	<u>443,968</u>	<u>99,719</u>	<u>543,687</u>
Cash Disbursements			
Current:			
General Government	157,676		157,676
Public Safety	257,224	398	257,622
Public Works		200,073	200,073
<i>Total Cash Disbursements</i>	<u>414,900</u>	<u>200,471</u>	<u>615,371</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,068</u>	<u>(100,752)</u>	<u>(71,684)</u>
<i>Net Change in Fund Cash Balances</i>	29,068	(100,752)	(71,684)
<i>Fund Cash Balances, January 1</i>	<u>186,069</u>	<u>388,430</u>	<u>574,499</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted	0	287,678	287,678
Committed	0	0	0
Assigned	0	0	0
Unassigned (Deficit)	<u>215,137</u>		<u>215,137</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$215,137</u></u>	<u><u>\$287,678</u></u>	<u><u>\$502,815</u></u>

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

**LEMON TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$338,428	\$12,914	\$351,342
Licenses, Permits and Fees	21,697		21,697
Fines and Forfeitures	12,031	1,187	13,218
Intergovernmental	94,541	97,047	191,588
Earnings on Investments	865	961	1,826
Miscellaneous	719	373	1,092
<i>Total Cash Receipts</i>	<u>468,281</u>	<u>112,482</u>	<u>580,763</u>
Cash Disbursements			
Current:			
General Government	166,278		166,278
Public Safety	243,701	303	244,004
Public Works		100,797	100,797
Health		72,616	72,616
Capital Outlay		21,460	21,460
<i>Total Cash Disbursements</i>	<u>409,979</u>	<u>195,176</u>	<u>605,155</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>58,302</u>	<u>(82,694)</u>	<u>(24,392)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	26,369		26,369
Other Financing Uses	(5,710)		(5,710)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>20,660</u>	<u>0</u>	<u>20,660</u>
<i>Net Change in Fund Cash Balances</i>	78,962	(82,694)	(3,732)
<i>Fund Cash Balances, January 1</i>	<u>107,107</u>	<u>471,124</u>	<u>578,231</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted	0	387,174	387,174
Committed	0	1,256	1,256
Assigned	0	0	0
Unassigned (Deficit)	186,069	0	186,069
<i>Fund Cash Balances, December 31</i>	<u><u>\$186,069</u></u>	<u><u>\$388,430</u></u>	<u><u>\$574,499</u></u>

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

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Risk Management Plan, Inc., 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 account. Certificate of deposits are valued 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Township had the following significant Special Revenue Funds:

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

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Permissive Motor Vehicle License Tax Fund – This fund receives permissive motor vehicle license tax and intergovernmental 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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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 and investments at December 31 was as follows:

	2012	2011
Demand deposits	\$352,793	\$424,500
Certificates of deposit	150,022	149,999
Total deposits	502,815	574,499

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

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$483,650	\$443,968	(\$39,682)
Special Revenue	212,512	99,719	(112,793)
Total	\$696,162	\$543,687	(\$152,475)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$689,741	\$414,900	\$274,841
Special Revenue	480,632	200,471	280,161
Total	\$1,170,373	\$615,371	\$555,002

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$341,629	\$499,427	\$157,798
Special Revenue	98,280	112,482	14,202
Total	\$439,909	\$611,909	\$172,000

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$484,355	\$415,689	\$68,666
Special Revenue	543,635	195,176	348,459
Total	\$1,027,989	\$610,865	\$417,124

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.

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.

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Retirement Systems

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. 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 2012 and 2011, 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, 2012.

6. Risk Management

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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 coverage's to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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, 2012 and 2011

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

**LEMON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Risk Management (Continued)

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

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 & ems, public works, and cemetery services to the Township. The Township paid \$\$450,689 and \$437,562 to the City during 2012 and 2011, respectively.

8. Compliance

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Lemon Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated January 30, 2014 wherein we noted that the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also qualified our opinion due to the Township's failure to establish and accurately report a Fire District Levy fund. Finally, as discussed in Note 1 to the financial statements, during 2011 Lemon Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. 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 findings 2010-001 and 2010-002 described in the accompanying schedule of findings to be material weaknesses.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.auditor.state.oh.us

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, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001, 2012-002 and 2012-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2014

**LEMON TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance/Material Weakness

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

(A) All local public offices shall maintain 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, 2012 and 2011 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 2012 and 2011 which resulted in audit adjustments and reclassifications to the financial statements:

- Homestead and rollback was posted entirely to the General Fund as Property and Other Local Taxes receipts instead of Intergovernmental receipts totaling \$34,343 in 2011 and \$34,194 in 2012;
- Tax receipts were posted net of related auditor's and treasurer fees in resulting in an understatement of General fund Property and Other Local Taxes receipts and General Government disbursements in 2012 and 2011 of \$7,308 and \$6,256 respectively;
- In 2011, Permissive Motor Vehicle (intergovernmental portion) receipts were posted to the General Fund as Property and Other Local Taxes receipts and Intergovernmental receipts in the amounts of \$2,871 and \$319 respectively; these amounts should have been posted as Special Revenue fund Intergovernmental receipts;
- In 2012, Permissive motor vehicle (intergovernmental portion) receipts were posted to the General Fund Property and Other Local Taxes receipts and Intergovernmental receipts in the amounts of \$135 and \$3,088 respectively; these amounts should have been posted as Special Revenue fund Intergovernmental receipts;
- Local Governmental funds totaling \$4,549 were posted to the Gasoline Fund instead of the General Fund in 2011;
- Special assessment receipts of \$193 were deducted as fees in the General Fund in 2011; Permissive Motor Vehicle receipts (intergovernmental portion) were posted to the Motor Vehicle License Fund in 2011 as Property and Other Local Taxes receipts and Intergovernmental receipts in the amounts of \$1,267 and \$268 respectively; these amounts should have been posted to the Permissive Motor Vehicle Tax Special Revenue fund as Intergovernmental receipts;
- Special assessment receipts were posted as Property and Other Local Taxes receipts in the Special Assessments fund in 2011 and 2012 totaling \$357 and \$256 respectively;
- Permissive Motor Vehicle receipts (tax portion) were posted to the Gasoline Tax Fund in 2012 totaling \$574.

**FINDING NUMBER 2012-001
(Continued)**

- Payroll taxes withheld were misposted as receipts and disbursements in 2011 and 2012 totaling \$3,031 and \$3,660 respectively.
- Federal income tax and Medicare remittances in 2011 were not recorded in the UAN system totaling \$287.

As a result of these errors and other errors not listed, receipts and disbursement 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, properly reconcile, and assist in properly reflecting the Township's financial activity in the annual report.

FINDING NUMBER 2012-002

Noncompliance / Material Weakness

Ohio Rev. Code, Section 5705.09, requires the establishment of a special fund for each class of revenues derived from a source other than the general property tax, which the law or levy requires to be used for a particular purpose.

The Township failed to create a fund to account for the tax proceeds of the fire district levy received in 2012 and 2011. This revenue was recorded in the General Fund in the amount of \$114,995 and \$114,913 in 2012 and 2011 respectively. As a result, the Township overstated General Fund Property and Other Local Taxes receipts, and Public Safety disbursements by \$114,995 and \$114,913 for 2012 and 2011 respectively. The Township also understated the Special Revenue Fund Property and Other Local Taxes receipts, and Public Safety disbursements by \$114,995 and \$114,913 for 2012 and 2011 respectively.

Failure to create a fund to account for the tax proceeds of the fire district caused the financial statements to be materially misstated and resulted in a modified audit opinion.

We recommend the Township consult with the Auditor of State's Local Government Services to create the fund necessary to accurately account for the tax proceeds of the fire district levy, and determine whether an adjustment is necessary to accurately state the balance within the fund.

FINDING NUMBER 2012-003

Noncompliance

Ohio Revised 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.

**FINDING NUMBER 2012-003
(Continued)**

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 a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

In fiscal year 2011 and 2012, five of seven (71%) and four of five (80%) respectively of the transactions tested, 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. 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 or Blanket certificates should be used.

We recommend that 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.

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**LEMON TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Admin Code 117-2-02 Proper posting of transactions	No	Not Corrected – Reissued as Finding 2012-001
2010-002	Ohio Rev. Code 5705.41(D)(1) Properly encumbering commitments	No	Not Corrected – Reissued as Finding 2012-003
2010-003	Failure to properly post estimated resources to the accounting system	No	Not Corrected – Reissued as Management Letter Comment

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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
FEBRUARY 13, 2014**