



Dave Yost • Auditor of State

LAWRENCE TOWNSHIP
WASHINGTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2014	3
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Fiduciary Fund Type – For the Year Ended December 31, 2014	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2013	5
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lawrence Township
Washington County
692 Bear Run Road
Reno, Ohio 45773

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Lawrence Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2014 and 2013.

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 Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; 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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis of 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, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Lawrence Township, Washington County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015, 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.



Dave Yost
Auditor of State
Columbus, Ohio

November 19, 2015

**LAWRENCE TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$14,062	\$10,077	\$24,139
Intergovernmental	18,028	201,967	219,995
Earnings on Investments	55	32	87
Miscellaneous	2,056	0	2,056
<i>Total Cash Receipts</i>	<u>34,201</u>	<u>212,076</u>	<u>246,277</u>
Cash Disbursements			
Current:			
General Government	17,577	15,189	32,766
Public Safety	3,000	508	3,508
Public Works	0	141,104	141,104
Health	9,822	0	9,822
Capital Outlay	0	28,069	28,069
Debt Service:			
Principal Retirement	1,225	21,543	22,768
Interest and Fiscal Charges	116	2,670	2,786
<i>Total Cash Disbursements</i>	<u>31,740</u>	<u>209,083</u>	<u>240,823</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,461</u>	<u>2,993</u>	<u>5,454</u>
Other Financing Receipts (Disbursements)			
Transfers In	9,877	28,906	38,783
Transfers Out	0	(38,783)	(38,783)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>9,877</u>	<u>(9,877)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	12,338	(6,884)	5,454
<i>Fund Cash Balances, January 1</i>	<u>6,062</u>	<u>168,771</u>	<u>174,833</u>
Fund Cash Balances, December 31			
Restricted	0	149,562	149,562
Committed	0	12,325	12,325
Assigned	3,527	0	3,527
Unassigned	14,873	0	14,873
<i>Fund Cash Balances, December 31</i>	<u><u>\$18,400</u></u>	<u><u>\$161,887</u></u>	<u><u>\$180,287</u></u>

LAWRENCE TOWNSHIP
WASHINGTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipt	
Miscellaneous	<u>\$13,000</u>
<i>Total Operating Cash Receipt</i>	<u>13,000</u>
Operating Cash Disbursement	
Other	<u>13,000</u>
<i>Total Operating Cash Disbursement</i>	<u>13,000</u>
<i>Net Change in Fund Cash Balance</i>	0
<i>Fund Cash Balance, January 1</i>	<u>0</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$0</u></u>

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

**LAWRENCE TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$12,416	\$8,869	\$21,285
Intergovernmental	17,733	223,459	241,192
Earnings on Investments	45	36	81
Miscellaneous	5,856	1,411	7,267
<i>Total Cash Receipts</i>	<u>36,050</u>	<u>233,775</u>	<u>269,825</u>
Cash Disbursements			
Current:			
General Government	22,576	13,990	36,566
Public Safety	3,000	0	3,000
Public Works	0	173,892	173,892
Health	8,070	0	8,070
Debt Service:			
Principal Retirement	1,173	92,115	93,288
Interest and Fiscal Charges	184	3,714	3,898
<i>Total Cash Disbursements</i>	<u>35,003</u>	<u>283,711</u>	<u>318,714</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,047</u>	<u>(49,936)</u>	<u>(48,889)</u>
Other Financing Receipt			
Other Debt Proceeds	0	68,000	68,000
<i>Total Other Financing Receipt</i>	<u>0</u>	<u>68,000</u>	<u>68,000</u>
<i>Net Change in Fund Cash Balances</i>	1,047	18,064	19,111
<i>Fund Cash Balances, January 1</i>	<u>5,015</u>	<u>150,707</u>	<u>155,722</u>
Fund Cash Balances, December 31			
Restricted	0	159,309	159,309
Committed	0	9,462	9,462
Unassigned	6,062	0	6,062
<i>Fund Cash Balances, December 31</i>	<u><u>\$6,062</u></u>	<u><u>\$168,771</u></u>	<u><u>\$174,833</u></u>

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

This page intentionally left blank.

**LAWRENCE TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Lawrence Township, Washington 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 and cemetery maintenance. The Township contracts with the Little Muskingum Volunteer Fire Department for fire protection. Police protection is provided by the Washington County Sheriff's Department.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool. Note 7 to the financial statements provides 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 permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

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

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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:

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

**LAWRENCE TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Permissive Sales Tax Fund - This fund receives money from the Washington County Commissioners from the County's permissive sale tax levy. Funds are restricted for the purpose of maintaining Township roads.

3. Fiduciary Fund

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for contributions from the Marietta Community Foundation and the Sisters of Saint Joseph to for the Little Hocking Volunteer Fire Department.

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, object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into four 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:

LAWRENCE TOWNSHIP
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. 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.

2. 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.

3. 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.

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

	2014	2013
Demand deposits	<u>\$180,287</u>	<u>\$174,833</u>

**LAWRENCE TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. Equity in Pooled Deposits (Continued)

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,927	\$44,078	(\$1,849)
Special Revenue	237,068	240,982	3,914
Agency	13,000	13,000	0
Total	\$295,995	\$298,060	\$2,065

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,241	\$32,329	\$4,912
Special Revenue	293,912	251,803	42,109
Permanent	13,000	13,000	0
Total	\$344,153	\$297,132	\$47,021

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,066	\$36,050	(\$1,016)
Special Revenue	296,281	301,775	5,494
Total	\$333,347	\$337,825	\$4,478

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,451	\$35,003	\$2,448
Special Revenue	339,900	283,711	56,189
Total	\$377,351	\$318,714	\$58,637

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.

**LAWRENCE TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Property Tax (Continued)

Public utilities are also taxed on personal and real property located within the Township.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
2012 Mower Loan	\$26,250	3.75%
2013 Grader Loan	40,267	3.25%
Total	\$66,517	

The Township entered into a promissory note in 2012 to finance the purchase of a mower. The Township's taxing authority collateralized the agreement.

The Township entered into a promissory note in 2013 to refinance a grader for Township road maintenance previously financed as a capital lease. The Township's taxing authority collateralized the agreement.

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

	2012 Mower Loan	2013 Grader Loan
Year ending December 31:		
2015	\$9,273	\$14,924
2016	9,273	16,281
2017	9,273	10,854
Total	\$27,819	\$42,059

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

7. Risk Management

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.

**LAWRENCE TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management (Continued)

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$4,527	\$4,709

**LAWRENCE TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

8. Related Party Transactions

The Township approved a land contract with Carmen Lauer, wife of Trustee David Lauer, for storage. Mrs. Lauer received \$200 in each year from the Township. There was no evidence Trustee Lauer abstained from voting on these annual contracts.

This page intentionally left blank.



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

Lawrence Township
Washington County
692 Bear Run Road
Reno, Ohio 45773

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 Lawrence Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated November 19, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

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 opinion 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 Township'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 2014-001 through 2014-003 described in the accompanying Schedule of Findings to be material weaknesses.

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 2014-001 through 2014-003.

Entity's Response to Findings

The Township's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State
Columbus, Ohio

November 19, 2015

**LAWRENCE TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance and Material Weakness

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory securities, § 133.10 allows anticipation securities in anticipation of current property tax revenues, § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Township issued a promissory note for \$42,162 to finance the purchase of a mower in 2012 and issued a promissory note for \$68,000 to refinance a capital lease obligation in 2013. Neither met the criteria for any of the debt allowed in Ohio Revised Code Chapter 133.

The Township Trustees should only authorize the issuance of notes pursuant to Ohio Rev. Code § 133.20.

Official's Response: We obtained debt as done in the past. We will correct this in the future.

FINDING NUMBER 2014-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.14(D) provides that the unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.

AOS Bulletin 1998-013 Accounting for Federal Emergency Management Agency (FEMA) Grants clarifies treatment of FEMA funding to indicate when a portion or all of the work has been completed and paid for from a fund other than a FEMA fund at the time the FEMA money is received, an entity can repay the fund by a transfer of the FEMA money from the FEMA fund to the fund that made the original payments.

The Fiscal Officer transferred \$28,906 from the FEMA fund to the General Fund during 2014 when this portion of the FEMA fund balance actually related to FEMA obligations paid from the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Permissive Tax Fund during the course of the project. This transfer was not expressly approved in the minute record by the Board of Trustees. This error in accounting treatment was primarily the result of poor recordkeeping by the Township making it difficult to determine the source of the original payment. Failure to properly repay FEMA project payments to the original fund making payment led to audit adjustments and can result in a possible loss of funding.

The Fiscal Officer should keep detailed records of all FEMA projects including all related payments to vendors and administrative costs. Further, she should ensure any fund making payments relating to a FEMA project be promptly reimbursed once FEMA funding is received.

Official's Response: This was an oversight. We will correct in the future.

**LAWRENCE TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-003

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices 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.

The Fiscal Officer made certain posting errors resulting in audit adjustments as follows:

For the year ended December 31, 2013:

- Additional debt was obtained to pay off a prior outstanding debt issue. The proceeds of the new debt and the payoff of the old debt were not recorded resulting the understatement of Proceeds of Note and Principal Disbursements of \$68,000 in the Motor Vehicle License Tax Fund.
- A fire contract payment was incorrectly posted to the Motor Vehicle License Tax Fund resulting in the overstatement of Public Safety expenditures in the Motor Vehicle License Tax Fund and an understatement in Public Safety expenditures in the General Fund of \$3,000.
- The ending fund balance of the Road and Bridge Fund was incorrectly classified as Restricted rather than Committed. As a result, audit adjustment to properly classify the December 31, 2013 balance of \$9,462 was proposed to the audited financial statements.

For the year ended December 31, 2014:

- A fire contract payment was incorrectly posted to the Motor Vehicle License Tax Fund resulting in the overstatement of Public Safety expenditures in the Motor Vehicle License Tax Fund and an understatement in Public Safety expenditures in the General Fund of \$3,000.
- The Fire Fund was reclassified as an Agency fund from Special Revenue to reflect the nature of the funds held. This reclassified \$13,000 in Intergovernmental Receipts and \$13,000 in Public Safety from Special Revenue to Miscellaneous Receipts and Other Operating Disbursements in the Agency Fund.
- A ditcher and dump truck bed were purchased from the General Fund when they were intended to be posted to the Gasoline Tax Fund resulting in Capital Outlay being understated by \$28,069 in the Gasoline Tax Fund and Public Works being overstated by \$28,069 in the General Fund.
- FEMA balances were not properly allocated back to the proper funds after the completion of all project activity. As a result, transfers into the General Fund were overstated by \$28,906 and transfers in were understated by \$184 in the Motor Vehicle License Tax Fund, by \$1,426 in the Gasoline Tax Fund and by \$27,296 in the Permissive Sales Tax Fund.
- The ending fund balance of the Road and Bridge Fund was incorrectly classified as Restricted rather than Committed. As a result, audit adjustment to properly classify the December 31, 2014 balance of \$12,324 was proposed to the audited financial statements.
- Since the subsequent year's appropriations exceeded the estimated receipts in the General Fund and the Township had \$589 in encumbrance outstanding at December 31, 2014, \$2,938 and \$589, respectively, of the December 31 2014 fund balance should have been classified as assigned rather than unassigned.

The following represents the cumulative effect of the adjustments listed above on the fund cash balances as of December 31, 2014:

**LAWRENCE TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-003 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

	Unadjusted 12/31/2014 Fund Balance	Audit Adjustments	Adjusted 12/31/2014 Fund Balance
1000: General Fund	\$25,237	(6,837)	\$18,400
2011: Motor Vehicle License Tax Fund	15,399	6,184	21,583
2021: Gasoline Tax	42,491	(26,643)	15,848
2241: Permissive Sales Tax Fund	84,836	27,296	112,132
Total	\$180,287	\$0	\$180,287

These misstatements were caused by a lack of management oversight. As a result, significant adjustments and reclassification, with which the Township's management agrees, were made to the financial statements and ledgers and are reflected in the accompanying financial statements.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Fiscal Officer should review the audit adjustments, Ohio Township Handbook, and Auditor of State Bulletin 2011-004 for guidance on the correct line items to post various receipts and expenditures as well as fund balance classifications of the Township in future audit periods.

Official's Response: We will monitor to correct in the future.

This page intentionally left blank.



Dave Yost • Auditor of State

LAWRENCE TOWNSHIP

WASHINGTON 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
DECEMBER 3, 2015**