



OHIO AUDITOR OF STATE
KEITH FABER



ELIZABETH TOWNSHIP
LAWRENCE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Elizabeth Township
Lawrence County
47119 State Route 93
Ironton, Ohio 45638

To the Board of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Elizabeth Township, Lawrence County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. Also, as discussed in Note 13 of the 2020 financial statements, the Township also implemented new accounting guidance and posted corrections for prior year adjustments that resulted in a restatement to fund balance at January 1, 2020. We did not modify our opinion regarding these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.



Keith Faber
Auditor of State
Columbus, Ohio
July 5, 2023

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Elizabeth Township
Lawrence County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$28,669	\$45,287	\$73,956
Intergovernmental	21,723	257,277	279,000
Earnings on Investments	73	92	165
Miscellaneous	4,128	0	4,128
<i>Total Cash Receipts</i>	<u>54,593</u>	<u>302,656</u>	<u>357,249</u>
Cash Disbursements			
Current:			
General Government	63,604	62,016	125,620
Public Safety		49,698	49,698
Public Works	1,500	91,363	92,863
Other		595	595
Capital Outlay	35,000	68,584	103,584
Debt Service:			
Principal Retirement		15,284	15,284
Interest and Fiscal Charges		2,459	2,459
<i>Total Cash Disbursements</i>	<u>100,104</u>	<u>289,999</u>	<u>390,103</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(45,511)</u>	<u>12,657</u>	<u>(32,854)</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	13,000	0	13,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>13,000</u>	<u>0</u>	<u>13,000</u>
<i>Net Change in Fund Cash Balances</i>	(32,511)	12,657	(19,854)
<i>Fund Cash Balances, January 1</i>	<u>44,945</u>	<u>163,371</u>	<u>208,316</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$12,434</u></u>	<u><u>\$176,028</u></u>	<u><u>\$188,462</u></u>

See accompanying notes to the basic financial statements

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Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Elizabeth Township, Lawrence County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Elizabeth Township Volunteer Fire Department to provide fire services.

Public Entity Risk Pool

The Township participates in a public entity risk pool. This organization is the Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all townships for property and casualty insurance coverage. Note 6 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Coronavirus Relief Fund The Coronavirus Relief fund is restricted by governmental guidelines to assist the Township through a pandemic.

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2021 budgetary activity appears in Note 3.

Deposits

The Township only had deposits during the year. This was a checking account and was reported on a cash basis.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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:

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

Fund Type	2021 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$67,593	\$67,593
Special Revenue	0	302,656	302,656
Total	\$0	\$370,249	\$370,249

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$103,647	(\$103,647)
Special Revenue	107,337	315,945	(208,608)
Total	\$107,337	\$419,592	(\$312,255)

Note 4 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit accounts are as follows:

	2021
Demand deposits	\$188,462

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Township is holding \$4,039 in unremitted employee payroll withholdings.

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 6 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s Policy. The Pool covers the following risks:

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2021</u>
Cash and investments	\$34,880,599
Actuarial liabilities	\$10,601,444

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2021.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
Backhoe Loan	\$49,428	3.80%

In 2019, the Township financed the purchase of a Case 580SN Loader Backhoe for Township road maintenance.

Amortization

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

Year Ending December 31:	General Obligation Bonds
2022	\$17,743
2023	17,743
2024	17,743
Total	\$53,229

Note 10 – Contingent Liabilities

Grants

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Litigation

The Township is not currently party to legal proceedings.

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Fund Balances	General	Special Revenue	Total
Nonspendable:			
Unclaimed Monies	\$0	\$0	\$0
Corpus	0	0	0
Outstanding Encumbrances	3,543	25,946	29,489
Total	\$3,543	\$25,946	\$29,489

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Township received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 13– Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds for the year ended December 31, 2021:

Fund	Appropriations	Expenditures	Variance
General	\$0	\$103,647	(\$103,647)
Motor Vehicle License	\$0	\$5,186	(\$5,186)
Gasoline Tax	\$0	\$162,294	(\$162,294)
Road & Bridge	\$0	\$8,307	(\$8,307)
Fire	\$0	\$32,822	(\$32,822)

Also contrary to Ohio law, the Board of Township Trustees did not properly approve appropriations for funds in 2021. They also did not properly certify available funds according to Ohio Rev. Code Section 5705.36.

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Elizabeth Township*Lawrence County, Ohio**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2020*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$28,519	\$44,093		\$72,612
Intergovernmental	20,405	309,285	35,585	365,275
Earnings on Investments	62	73		135
Miscellaneous	3,447	0		3,447
<i>Total Cash Receipts</i>	<u>52,433</u>	<u>353,451</u>	<u>35,585</u>	<u>441,469</u>
Cash Disbursements				
Current:				
General Government	56,434	25,902		82,336
Public Safety		46,499		46,499
Public Works		89,194		89,194
Capital Outlay		32,750	35,585	68,335
Debt Service:				
Principal Retirement		15,257		15,257
Interest and Fiscal Charges		2,487		2,487
<i>Total Cash Disbursements</i>	<u>56,434</u>	<u>212,089</u>	<u>35,585</u>	<u>304,108</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,001)</u>	<u>141,362</u>	<u>0</u>	<u>137,361</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	0	97	0	97
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>97</u>	<u>0</u>	<u>97</u>
<i>Net Change in Fund Cash Balances</i>	(4,001)	141,459	0	137,458
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>48,946</u>	<u>21,912</u>	<u>0</u>	<u>70,858</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$44,945</u></u>	<u><u>\$163,371</u></u>	<u><u>\$0</u></u>	<u><u>\$208,316</u></u>

See accompanying notes to the basic financial statements

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Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Elizabeth Township, Lawrence County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Elizabeth Township Volunteer Fire Department to provide fire protection services.

Public Entity Risk Pool

The Township participates in a public entity risk pool. This organization is the Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all townships for property and casualty insurance coverage. Note 6 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

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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:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Coronavirus Relief Fund The Coronavirus Relief fund is restricted by governmental guidelines to assist the Township through a pandemic.

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project fund:

Ohio Public Works Commission (OPWC) Fund The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

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

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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2020 budgetary activity appears in Note 3.

Deposits

The Township only had deposits during the year. This was a checking account and was reported on a cash basis.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,265	\$52,433	\$15,168
Special Revenue	290,802	353,548	62,746
Capital Projects	0	35,585	35,585
Total	\$328,067	\$441,566	\$113,499

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$56,434	(\$56,434)
Special Revenue	159,053	314,064	(155,011)
Capital Projects	35,585	35,585	0
Total	\$194,638	\$406,083	(\$211,445)

Note 4 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit accounts are as follows:

	2020
Demand deposits	\$208,316

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Township is holding \$2,972 in unremitted employee payroll withholdings.

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Note 6 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2020
Cash and investments	\$36,348,066
Actuarial liabilities	\$10,894,146

Workers’ Compensation

Workers’ Compensation coverage is provided by the State of Ohio. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2020.

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$64,712	3.80%

In 2019, the Township financed the purchase of a Case 580SN Loader Backhoe for Township road maintenance.

Amortization

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

Year Ending December 31:	General Obligation Bonds
2021	\$17,743
2022	17,743
2023	17,743
2024	17,743
Total	\$70,972

Note 10 – Contingent Liabilities

Grants

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Litigation

The Township is not currently party to legal proceedings.

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Nonspendable:				
Unclaimed Monies	\$0	\$0	\$0	\$0
Corpus	0	0	0	0
Outstanding Encumbrances	0	88,991	0	88,991
Total	\$0	\$88,991	\$0	\$88,991

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Change in Accounting Principle and Restatement of Fund Equity

For 2020, the Township has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types.

The effect of this change had no effect on the beginning cash balances.

There were, however, corrections made to cash basis figures to correct mispostings in previous years that did effect beginning cash balances. They were as follows:

Elizabeth Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

	General	Special Revenue	Total
	Fund	Fund Type	Governmental
			Funds
Fund Balance as of December 31 2019:	\$45,075	\$82,604	\$127,679
Adjustments:			
2016-2017 Audit Adjustments	4,060	(4,060)	0
2018-2019 Audit Adjustments	(811)	811	0
Prior Year Checks that were voided	964	829	1,793
2019 Audit Adjustment for Debt Payment		(17,743)	(17,743)
2019 Audit Adjustment for Paving Payment		(37,991)	(37,991)
2019 Unrecorded Expenditures	(342)	(2,538)	(2,880)
<i>Adjusted Fund Balance</i>			
<i>December 31, 2019</i>	<u>\$48,946</u>	<u>\$21,912</u>	<u>70,858</u>

Note 14 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds for the year ended December 31, 2020:

Fund	Appropriations	Expenditures	Variance
General	\$0	\$56,434	(\$56,434)
Motor Vehicle License	\$0	\$8,515	(\$8,515)
Gasoline Tax	\$0	\$94,209	(\$94,209)
Road & Bridge	\$0	\$20,513	(\$20,513)
Fire	\$0	\$31,774	(\$31,774)

Also contrary to Ohio law, the Board of Township Trustees did not properly approve appropriations for funds in 2020. They also did not properly certify funds according to Ohio Rev. Code Section 5705.41 (D) and it resulted in unrecorded encumbrances in the Special Revenue Fund Type of \$12,984.

OHIO AUDITOR OF STATE KEITH FABER



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

Elizabeth Township
Lawrence County
47119 State Route 93
Ironton, Ohio 45638

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Elizabeth Township, Lawrence County, Ohio (the Township) and have issued our report thereon dated July 5, 2023, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Township. We also noted the Township restated beginning balance as of January 1, 2020 for changes in accounting principles and prior year adjustments.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001 thru 2021-006 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2021-004 thru 2021-007.

Township's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
July 5, 2023

**ELIZABETH TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

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

FINDING NUMBER 2021-001

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection. The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board is responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared correctly or reviewed timely in each month of 2021 and also included outstanding checks that were over 90 days old. Failure to reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. The Fiscal Officer should also review the outstanding checks and take appropriate action, whether that be to move monies to an unclaimed monies fund or to void them. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response:

Township Fiscal Officer did take steps to correct this in 2022. The UAN will be properly reconciled moving forward.

FINDING NUMBER 2021-002

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In order to achieve proper financial reporting, 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

FINDING NUMBER 2021-002
(Continued)

Sound financial reporting is the responsibility of the Township Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

Due to deficiencies in internal control related to financial reporting, the Township misclassified and misposted various receipts, disbursements, and fund balances in the annual financial report submitted to the Auditor of State for fiscal years 2021 and 2020. These misstatements had the following effect on the Township's financial statements:

December 31, 2021 Financial Statements:

- \$16,532 in General Fund General Government disbursements were not recorded to the accounting system.
- \$5,332 of General Fund Tax receipts were overstated due to Homestead and Rollback being posted 100% to General Fund Taxes. This also caused General Fund Intergovernmental Receipts to be understated by \$2,252, Road & Bridge Fund Intergovernmental Receipts to be understated by \$979 and Fire Fund Intergovernmental Receipts to be understated by \$2,101.
- General Fund disbursements of \$35,000 were classified as General Government disbursements instead of Capital Outlay disbursements.
- General Fund Receipts of \$13,000 were classified as Other Financing Sources instead of Sale of Capital Assets.
- Coronavirus Relief Fund disbursements of \$46,959 were classified as General Government disbursements instead of Capital Outlay disbursements.
- Gasoline Tax Fund disbursements of \$21,625 were classified as General Government disbursements instead of Capital Outlay disbursements.
- Coronavirus Relief Fund General Government disbursements of \$18,381 were posted in error to the FEMA Fund General Government disbursements.

December 31, 2020 Financial Statements:

- \$12,987 in General Fund General Government disbursements were not recorded to the accounting system.
- \$35,585 of on behalf of payments from Ohio Public Works was not posted to the accounting system.
- \$17,743 of 2019 Gasoline Tax Fund Debt Related disbursements were not recorded to the accounting system until fiscal year 2020. This caused the 2020 Principal disbursement amount to be overstated by this amount.
- Coronavirus Relief Fund disbursements of \$31,913 were classified as General Government disbursements instead of Capital Outlay disbursements.

**FINDING NUMBER 2021-002
(Continued)**

- \$20,959 of FEMA fund reimbursements were not recorded. This caused the FEMA Fund Public Works disbursements to be understated by this amount. It also caused the Gasoline Tax Fund, Public Works disbursements to be overstated by \$14,016, the Road and Bridge Fund Public Works Disbursements to be overstated by \$5,463, and the General Fund General Government disbursements to be overstated by \$1,480.

Prior Financial Statement Adjustments that were made to beginning fund balance:

- \$37,991 of 2019 Gasoline Tax Fund Capital Outlay Disbursements were not recorded to the accounting system until fiscal year 2022.
- \$20,302 of 2019 FEMA funds were not reimbursed back to the Gasoline Fund which originally incurred the costs. Thus, overstating the FEMA Fund beginning balance and understating the Gasoline Tax Fund Beginning Balance.

This resulted in audit adjustments and reclassifications to the financial statements. Any fund balance adjustments have been posted to the Township's accounting system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and footnotes by the Township Fiscal Officer and Board of Trustees to identify and correct errors and omissions.

We also recommend the Township Fiscal Officer refer to the Ohio Township Handbook and Auditor of State Bulletins 2000-008, 2002-004 and 2011-004 and also take due care in posting transactions in order to ensure the annual financial statements reflect the appropriate activity for the Township's receipts and disbursements.

Officials' Response:

Township Fiscal Officer did take steps to correct this in 2022. The Township will strive to post all activity properly to UAN system in the future.

FINDING NUMBER 2021-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board of Trustees to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board of Trustees are precisely stated and accurately posted to the appropriation ledger.

**FINDING NUMBER 2021-003
 (Continued)**

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The Board of Trustees did not approve any appropriations or amendments thereof; however, there were appropriations and amendments posted to the accounting system.

Variances between the Approved Appropriations and amounts recorded in the UAN system at December 31, 2021 were as follows:

Fund:	Approved Appropriations	Appropriations in UAN system	Difference
General Fund (#1000)	\$ 0	\$ 113,650	(\$113,650)
Motor Vehicle License Fund (#2011)	\$ 0	\$ 16,000	(\$16,000)
Gasoline Tax Fund (#2021)	\$ 0	\$ 193,993	(\$193,993)
Road & Bridge Fund (#2031)	\$ 0	\$ 13,000	(\$13,000)
Fire Fund (#2111)	\$ 0	\$ 33,400	(\$33,400)

Variances between the Approved Appropriations and amounts recorded in the UAN system at December 31, 2020 were as follows:

Fund:	Approved Appropriations	Appropriations in UAN system	Difference
General Fund (#1000)	\$ 0	\$ 82,631	(\$82,631)
Motor Vehicle License Fund (#2011)	\$ 0	\$ 12,500	(\$12,500)
Gasoline Tax Fund (#2021)	\$ 0	\$ 138,862	(\$138,862)
Road & Bridge Fund (#2031)	\$ 0	\$ 49,098	(\$49,098)
Fire Fund (#2111)	\$ 0	\$ 35,979	(\$35,979)

Additionally, we noted the following regarding estimated receipts posted to the accounting system:

Variances between estimated receipt amounts from the Amended Certificate of Estimated Resources and amounts recorded in the UAN system at December 31, 2021 were as follows:

Fund:	Estimated Receipts from Amended Official Certificate of Estimated Resources	Estimated Receipts in UAN System	Difference
General Fund (#1000)	\$ 0	\$ 60,550	(\$60,550)
Motor Vehicle License Fund (#2011)	\$ 0	\$ 12,010	(\$12,010)
Gasoline Tax Fund (#2021)	\$ 0	\$ 135,050	(\$135,050)
Road & Bridge Fund (#2031)	\$ 0	\$ 12,500	(\$12,500)
Fire Fund (#2111)	\$ 0	\$ 31,000	(\$31,000)

Variances between estimated receipt amounts from the Amended Certificate of Estimated Resources and amounts recorded in the UAN system at December 31, 2020 were as follows:

FINDING NUMBER 2021-003
(Continued)

Fund:	Estimated Receipts from Official Certificate of Estimated Resources	Estimated Receipts in UAN System	Difference
Coronavirus Relief Fund (#2272)	\$ 138,037	\$ 117,792	\$20,245

Failure to accurately post the appropriations and estimated resources to the accounting system could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the footnotes.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the accounting system, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board of Trustees. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response:

The Township will strive to correct this in the future.

FINDING NUMBER 2021-004

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Township Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2021. This was not detected by the Township due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring.

The Township Fiscal Officer should, on or about the first day of each fiscal year, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources.

Officials' Response:

The Township will strive to correct this in the future.

FINDING NUMBER 2021-005

Noncompliance and Material Weakness

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

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

For 2021 and 2020, the Board of Trustees did not approve a permanent annual appropriation measure and file it with the County as required. In addition to this, for 2021 and 2020, original and supplemental appropriations were entered into the Township's accounting system; however, they were not approved by the Board of Trustees.

The failure to approve appropriations may result in spending greater than available resources and could lead to deficit fund balances.

We recommend the Board of Trustees approve permanent appropriations on or about January 1 of each fiscal year at the required legal level of control. If temporary appropriations are approved, we recommend the Board of Trustees approve the permanent appropriations by April 1. Approval of appropriations and supplemental appropriation measures should be recorded in the Township's minute record. Further, once approved, all appropriation and supplemental appropriation measures should be promptly entered into the Township's accounting system and reconciled to the approved measures to ensure accuracy of input. A copy should also be filed with the County Auditor's office.

Officials' Response:

The Township will strive to correct this in the future.

FINDING NUMBER 2021-006

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to the Township's failure to approve an appropriation measure for 2021 and 2020, the Township had expenditures in excess of appropriations as follows:

As of December 31, 2021:

Fund	Appropriations	Expenditures	Variance
General	\$0	\$103,647	(\$103,647)
Motor Vehicle License	\$0	\$5,186	(\$5,186)
Gasoline Tax	\$0	\$162,294	(\$162,294)
Road & Bridge	\$0	\$8,307	(\$8,307)
Fire	\$0	\$32,822	(\$32,822)

FINDING NUMBER 2021-006
(Continued)

As of December 31, 2020:

Fund	Appropriations	Expenditures	Variance
General	\$0	\$56,434	(\$56,434)
Motor Vehicle License	\$0	\$8,515	(\$8,515)
Gasoline Tax	\$0	\$94,209	(\$94,209)
Road & Bridge	\$0	\$20,513	(\$20,513)
Fire	\$0	\$31,774	(\$31,774)

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Township Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

The Township will strive to correct this in the future.

FINDING NUMBER 2021-007

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required meet the obligation or, the case of continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer'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 Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

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

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions or taxing units 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 Board.

**FINDING NUMBER 2021-007
(Continued)**

2. Blanket Certificate – The auditor or fiscal officer 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 Board 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, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, in fiscal years 2021 and 2020, respectively, \$2,257, and \$13,372 of the transactions scanned through at year-end were not certified by the Township Fiscal Officer at the time the commitment was incurred, and there was no evidence the Township followed the aforementioned exceptions.

In addition to the unrecorded encumbrances noted, the Township also used Blanket Certificates but had no resolution establishing a maximum amount. They also used Super Blanket Certificates for various types of expenditures in 2021, of which, were not limited to the allowable types noted above.

Failure to properly certify the availability of funds can result in overspending funds; negative cash fund balances; and understatement of outstanding encumbrances at year end.

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 help ensure 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, the Township Fiscal Officer should certify 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.

Officials’ Response:

The Township will strive to correct this in the future.

OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS Compliance and Control report.

FINDING NUMBER 2021-008

Finding for Recovery – Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgement of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditures of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During 2021 and 2020, the Township was assessed penalties and interest charges for late payments related to Ohio Public Employees Retirement filings and payments. The total paid related to these penalties and interest was \$577. These were all paid to Ohio Public Employees Retirement System through out the time period of 2020-2022.

The payment of late fees and penalties due to the inability of the Township Fiscal Officer to make timely payment is not a proper public purpose.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; Cordray v. Internatl. Preparatory School, 128 Ohio St.3d 50 (2010).

In accordance with the forgoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kathy Bamer, Township Fiscal Officer, and her bonding company, Ohio Township Association Risk Management Authority, in the amount of \$577 and in favor of Elizabeth Township’s General Fund.

By July 5, 2023, Ms. Bamer had paid Elizabeth Township \$577. This finding is considered to be repaid in full.

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**ELIZABETH TOWNSHIP
LAWRENCE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021 AND 2020**

Finding Number	Finding Summary	Status	Additional Information
2019-001	Material Weakness - Sound Financial Reporting	Not Corrected.	Reissued as Finding Number 2021-002.
2019-002	Bank Reconciliation	Not Corrected.	Bank reconciliation was not fully corrected until 2022. During 2020 and 2021, there were still many outstanding reconciling items that were not posted to the UAN system. Reissued as Finding Number 2021-001.
2019-003	Supporting Documentation	Fully Corrected.	
2019-004	Noncompliance Citation – Ohio Rev. Code § 117.38, Hinkle Filing	Partially Corrected.	Reissued in Management Letter.
2019-005	Noncompliance Citation – Ohio Rev. Code § 149.43 (B)(1), Supporting Documentation	Fully Corrected.	
2019-006	Noncompliance Citation – Ohio Rev. Code § 149.43 (E), Record Retention	Partially Corrected.	Reissued in Management Letter.
2019-007	Noncompliance Citation – Ohio Rev. Code § 5705.38 , Appropriations Noncompliance Citation – Ohio Rev. Code § 5705.41(B), Expenditures exceeded appropriations	Not Corrected.	Reissued as Finding Numbers 2021-005 & 2021-006.
2019-008	Noncompliance Citation – Ohio Rev. Code § 5705.41(D), Improper Encumbering	Not corrected.	Reissued as Finding Number 2021-007.
2019-009	Noncompliance Citation – 26 USC Section 3403, Withholding Remittances	Partially Corrected	Reissued in Management Letter.

OHIO AUDITOR OF STATE KEITH FABER



ELIZABETH TOWNSHIP

LAWRENCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 7/18/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov