



Dave Yost • Auditor of State

LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lawrence Township
Tuscarawas County
10867 Industrial Parkway
Bolivar, Ohio 44612

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Lawrence Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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 for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, 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, Tuscarawas County, Ohio as of December 31, 2015 and 2014, 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(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2013 financial statement has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, 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

October 31, 2016

**LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$66,557	\$890,439	\$0	\$0	\$956,996
Licenses, Permits and Fees	42,949	9,050	0	0	51,999
Intergovernmental	86,713	219,246	0	0	305,959
Special Assessments	0	5,301	0	0	5,301
Earnings on Investments	23	0	0	0	23
Miscellaneous	8,604	3,400	0	0	12,004
<i>Total Cash Receipts</i>	<u>204,846</u>	<u>1,127,436</u>	<u>0</u>	<u>0</u>	<u>1,332,282</u>
Cash Disbursements					
Current:					
General Government	165,872	0	0	0	165,872
Public Safety	21,845	558,933	0	0	580,778
Public Works	1,012	471,024	0	0	472,036
Health	5,096	17,434	0	0	22,530
Conservation-Recreation	90	0	0	66,948	67,038
Capital Outlay	1,017	0	0	35,000	36,017
<i>Total Cash Disbursements</i>	<u>194,932</u>	<u>1,047,391</u>	<u>0</u>	<u>101,948</u>	<u>1,344,271</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,914</u>	<u>80,045</u>	<u>0</u>	<u>(101,948)</u>	<u>(11,989)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	0	0	0	65,000	65,000
Advances In	25,000	25,000	0	0	50,000
Advances Out	(25,000)	(25,000)	0	0	(50,000)
Other Financing Sources	0	45	0	0	45
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>45</u>	<u>0</u>	<u>65,000</u>	<u>65,045</u>
<i>Net Change in Fund Cash Balances</i>	<u>9,914</u>	<u>80,090</u>	<u>0</u>	<u>(36,948)</u>	<u>53,056</u>
<i>Fund Cash Balances, January 1</i>	<u>295,597</u>	<u>378,090</u>	<u>1,955</u>	<u>71,835</u>	<u>747,477</u>
Fund Cash Balances, December 31					
Restricted	0	369,404	1,955	34,887	406,246
Committed	0	88,776	0	0	88,776
Assigned	305,511	0	0	0	305,511
<i>Fund Cash Balances, December 31</i>	<u>\$305,511</u>	<u>\$458,180</u>	<u>\$1,955</u>	<u>\$34,887</u>	<u>\$800,533</u>

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

**LAWRENCE TOWNSHIP
TUSCARAWAS 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	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$66,926	\$888,524	\$0	\$0	\$955,450
Licenses, Permits and Fees	42,468	6,776	0	0	49,244
Intergovernmental	145,016	222,430	0	18,175	385,621
Special Assessments	0	4,896	0	0	4,896
Earnings on Investments	27	0	0	0	27
Miscellaneous	11,123	14,649	0	0	25,772
<i>Total Cash Receipts</i>	<u>265,560</u>	<u>1,137,275</u>	<u>0</u>	<u>18,175</u>	<u>1,421,010</u>
Cash Disbursements					
Current:					
General Government	158,465	0	0	0	158,465
Public Safety	32,255	640,090	0	0	672,345
Public Works	6,753	545,269	0	0	552,022
Health	1,413	16,331	0	0	17,744
Conservation-Recreation	15	0	0	0	15
Other	147	0	0	0	147
Capital Outlay	66,454	5,586	0	41,348	113,388
<i>Total Cash Disbursements</i>	<u>265,502</u>	<u>1,207,276</u>	<u>0</u>	<u>41,348</u>	<u>1,514,126</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>58</u>	<u>(70,001)</u>	<u>0</u>	<u>(23,173)</u>	<u>(93,116)</u>
Other Financing Receipts					
Sale of Capital Assets	0	0	0	41,348	41,348
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,348</u>	<u>41,348</u>
<i>Net Change in Fund Cash Balances</i>	58	(70,001)	0	18,175	(51,768)
<i>Fund Cash Balances, January 1 (Restated, See Note 2)</i>	<u>295,539</u>	<u>448,091</u>	<u>1,955</u>	<u>53,660</u>	<u>799,245</u>
Fund Cash Balances, December 31					
Restricted	0	273,716	1,955	71,835	347,506
Committed	0	104,374	0	0	104,374
Assigned	295,597	0	0	0	295,597
<i>Fund Cash Balances, December 31</i>	<u>\$295,597</u>	<u>\$378,090</u>	<u>\$1,955</u>	<u>\$71,835</u>	<u>\$747,477</u>

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

**LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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, Tuscarawas County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, police protection, fire protection and emergency medical services. The Township contracts with the Tuscarawas County Sheriff's Department to provide police protection. The Township contracts with the Bolivar Volunteer Fire Department and Zoar Volunteer Fire Department to provide fire and emergency medical services.

The Township participates in a public entity risk pool and is associated with a related organization. Notes 7 and 8 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) - The Township belongs to OTARMA, a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

Related Organization:

Lawrence Township Community Improvement Corporation (Corporation) - The Township Board of Trustees act as the Board of Trustees for the Corporation. The Corporation promotes industrial, commercial and research and development projects within the Township.

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

All deposits are maintained in savings and checking accounts.

**LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge and Road District Funds - These funds receive property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Police Fund – This fund receives property tax money to provide for police protection. The Township contracts with the Tuscarawas County Sheriff's Department to provide this service.

Fire District Funds – These funds receive property tax money to provide for fire and emergency medical services. The Township contracts with the Bolivar Volunteer Fire Department and Zoar Volunteer Fire Department to provide these services.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Debt Fund – This fund previously received property tax money to pay for debt. The Township does not have any debt.

4. 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 Funds:

Issue II Fund - The Township receives funding from the Tuscarawas County Engineer's Office in lieu of funding from the Ohio Public Works Commission.

Permanent Improvement Fund – The Township receives funding from the sale of assets. Monies are utilized for capital outlay.

LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 4.

F. Fund Balance

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

1. 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.

**LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. RESTATEMENT OF FUND BALANCE

The Township maintains a Zoning Fund, which has received unrestricted monies from zoning fees. This revenue and related disbursements should be reported within the General Fund. However, the Zoning Fund's activity was previously reported in a Special Revenue Fund. The beginning balances of the General Fund and Special Revenue Fund were restated at January 1, 2014 as shown below:

	General Fund Balance	Special Revenue Fund Balance
January 1, 2014 fund balances as reported:	\$278,974	\$464,656
Adjustment: proper classification	16,565	(16,565)
Restated January 1, 2014 fund balance	\$295,539	\$448,091

**LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. 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:

	2015	2014
Demand deposits	\$800,533	\$747,477

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and December 31, 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$227,064	\$204,846	(\$22,218)
Special Revenue	1,176,300	1,127,481	(48,819)
Capital Projects	0	65,000	65,000
Total	\$1,403,364	\$1,397,327	(\$6,037)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$522,661	\$224,932	\$297,729
Special Revenue	1,554,390	1,106,612	447,778
Debt Service	1,955	0	1,955
Capital Projects	71,835	101,948	(30,113)
Total	\$2,150,841	\$1,433,492	\$717,349

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$294,409	\$265,560	(\$28,849)
Special Revenue	1,222,150	1,137,275	(84,875)
Capital Projects	17,300	59,523	42,223
Total	\$1,533,859	\$1,462,358	(\$71,501)

**LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$589,948	\$265,502	\$324,446
Special Revenue	1,670,241	1,207,276	462,965
Debt Service	1,955	0	1,955
Capital Projects	70,960	41,348	29,612
Total	\$2,333,104	\$1,514,126	\$818,978

Contrary to Ohio Rev. Code § 5705.38, the Board of Trustees approved appropriations in total for the Township rather than at the object level of control. Appropriations reported here were obtained from the Township's accounting system at the time the appropriations were approved. Also, contrary to Ohio Rev. Code § 5705.10(F), the township initially recorded proceeds from the sale of capital assets incorrectly in funds other than the Permanent Improvement Fund

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

6. RETIREMENT SYSTEMS

The Township's 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 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (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, 2015, 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 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, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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.

**LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$8,136	\$7,913

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 ORGANIZATION

Lawrence Township Community Improvement Corporation (Corporation)

The Corporation is a non-profit organization authorized under Chapter 1702 and Chapter 1724 of the Ohio Revised Code. The Township Board of Trustees act as the Board of Trustees for the Corporation. The Corporation promotes industrial, commercial and research and development projects within the Township. The Township did not provide any funding to the Corporation in 2015 and 2014.

9. SUBSEQUENT EVENTS

The Township approved a resolution to levy a tax in excess of the ten mill limitation. The four mill levy, if voter approved, would be used to finance fire and emergency medical service operations. Currently, the levy is planned to be included in the November 2016 election.

Pursuant to Ohio Revised Code § 5739.08, the Township approved a three percent lodging excise tax in December 2015 for collection beginning in 2016. The funds will be used to maintain, improve and promote parks, green space and trails within the Township.

10. HEALTH INSURANCE

The Township provides health insurance to employees through Tuscarawas County (County). The Township is invoiced their monthly premiums and the premiums are paid to the County. All risk transfers to the County.

Pursuant to Ohio Revised Code Chapter 167, the County and certain subdivisions within the County entered into an Agreement forming the Tuscarawas County Healthcare Consortium (Consortium). The County acts as the fiscal agent for the Consortium. The Township approved entering into the Consortium on October 29, 2015.



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
Tuscarawas County
10867 Industrial Parkway
Bolivar, Ohio 44612

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Lawrence Township, Tuscarawas County, Ohio, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated October 31, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. In addition, we noted the Township restated the 2013 financial statement to correct a misstatement.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of 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.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2015-001 and 2015-002 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 2015-002 and 2015-003.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 31, 2016

LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Material Weakness

The Township should maintain an accounting system and accounting records sufficient to enable the Township 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 in accordance with the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D).

Errors noted in the Township's financial statements required audit adjustments and reclassifications as follows:

- Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. The following inaccurate reporting of fund balances was noted prior to the effect of any audit adjustments:
 - The General Fund's year end cash balance was utilized to cover the deficiency of subsequent year appropriations exceeding estimated revenue at the end of 2015 and 2014 in the amounts of \$305,511 and \$295,597, respectively. However, these amounts were reported as Unassigned instead of Assigned;
 - The Road and Bridge Fund was funded by property tax revenue and intergovernmental revenue from property tax reimbursements. Property tax revenue was from millage within the unvoted 10 mill limitation. Therefore, the property tax revenue was not subject to external constraints and the fund balance should be reported as Committed as the constraints on the fund were internally imposed instead of externally restricted. However, the Township reported this fund with a Restricted Fund balance of \$88,776 and \$104,374 in 2015 and 2014, respectively.
- GASB 54 also changed the governmental fund type definitions of the General Fund and Special Revenue Funds, and was codified as follows: GASB Cod. 1300.104 documents that the General Fund should be used to account for and report all financial resources not accounted for and reported in another fund. GASB Cod. 1300.105 documents that Special Revenue Funds are used to 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 term *proceeds of specific revenue sources* establish that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Auditor of State Bulletin 2011-004 clarified fund classifications as a result of GASB 54. Bulletin 2011-004 documents that Zoning funds should be reported within the General Fund instead of Special Revenue Funds, as previously classified. This was due to the foundation revenue for the fund having no external constraints. However, the Township reported the Zoning Fund within the Special Revenue Fund classification instead of the General Fund.
 - \$27,530 in Assigned Cash Fund Balance, \$5,389 in Licenses, Permits and Fees and \$22,141 in Opening Equity were incorrectly reported in the Special Revenue Fund instead of the General Fund in 2015.

**LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-001 (Continued)

Material Weakness

- \$22,141 in Assigned Cash Fund Balance, \$5,576 in Licenses, Permits and Fees and \$16,565 in Opening Equity were incorrectly reported in the Special Revenue Fund instead of the General Fund in 2014.
- The Township reported \$24,619 in Public Safety disbursements in 2015 that were for other purposes within the General Fund. Of this total, \$21,604 was for General Government, \$1,017 was for Capital Outlay, \$1,012 was for Public Works, \$896 was for Health and \$90 was for Conservation and Recreation;
- The Township reported \$35,618 in Health disbursements in 2014 that were for other purposes in the General Fund. Of this total, \$12,727 was for General Government, \$6,333 was for Capital Outlay, \$9,643 was for Public Safety, \$6,753 was for Public Works, \$147 was for Other Disbursements and \$15 was for Conservation and Recreation;

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provider to the readers of the financial statements is complete and accurate. These adjustments and reclassifications were agreed to by management. The financial statements and accounting system have been adjusted accordingly.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. In addition, the Township should review the financial statements and notes prior to submission for audit.

FINDING NUMBER 2015-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(F) requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. Ohio Rev. Code § 5705.01(E) defines "permanent improvement" or "improvement" to mean any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more.

The Township sold various assets that met the definition of a permanent improvement. During 2015, a Volvo Dump Truck was sold for \$65,000; the revenue was received in two funds, with \$30,000 recorded in the General Fund (Fund 1000) and \$35,000 recorded in the Road and Bridge (Fund 2031) Fund. During 2014, a tractor was sold for \$30,000, a police cruiser was sold for \$5,600 and two mowers were sold \$3,101 and \$2,647, respectively. Of this, \$33,101 was received into the General Fund (Fund 1001), \$5,600 was received into the Police Fund (Fund 2081) and \$2,647 was received into the Cemetery Fund (Fund 2041).

**LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-002 (Continued)

Noncompliance and Material Weakness (Continued)

The Township previously established a Permanent Improvement Fund (Fund 4301). All revenue received from the sale of fixed assets should have been received into this fund as required by statute. As a result, revenues of \$106,348 were improperly received in funds other than the Permanent Improvement Fund (Fund 4301). The revenues posted to the various funds were utilized to pay for Capital Outlay to replace the items sold. The disbursements were initially recorded in the same fund that the revenue was recorded. With the exception of the \$30,000 receipt in the General Fund in 2015 from the Volvo Dump Truck, disbursements should have been recorded in the Permanent Improvement Fund (Fund 4301) to match revenues. The \$30,000 receipt in the General Fund in 2015 did not have a matching disbursement as no Capital Outlay disbursements for similar items were made in that year.

Inaccurate reporting of revenue could lead to revenue being utilized for unallowable disbursements that do not correspond with the legally required intent of such money. Additionally, sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The financial statements and accounting system have been adjusted accordingly.

The sale of permanent improvements should be recorded in the Township's Permanent Improvement Fund. To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. In addition, the Township should review the financial statements and notes prior to submission for audit.

FINDING NUMBER 2015-003

Noncompliance

Ohio Rev. Code § 5705.38(C) requires that 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.

The Township Board of Trustees approved permanent appropriation measures annually. However, the resolution documented only the total appropriations approved at the Township level. While the total appropriations agreed to the total documented in the Township's accounting system, which was set at the fund / function / object level, there was no evidence to support that the Board originally approved permanent appropriations at the required lower level of control. Additionally, supplemental and reductions in appropriations approved throughout the year were approved at the fund level and not at the required fund / function / object level.

**LAWRENCE TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-003 (Continued)

Noncompliance (Continued)

As a result, there was an increased risk that the Board did not provide the appropriate control and oversight for appropriations, changes in appropriations throughout the year and the overall budgetary activity of the Township throughout the year.

The Board should approve all permanent appropriations and changes in appropriations at the required legal level of control for the Township, which is generally defined to be at the fund / function / object level. This will help to ensure appropriate oversight over appropriations and related activity of the Township.

Officials' Response: We did not receive a response from officials to the Findings reported above.



Dave Yost • Auditor of State

LAWRENCE TOWNSHIP

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 15, 2016