



Mary Taylor, CPA  
Auditor of State



**LEMON TOWNSHIP  
BUTLER COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings .....	15
Schedule of Prior Audit Findings .....	23

**This page intentionally left blank.**



# Mary Taylor, CPA Auditor of State

Lemon Township  
Butler County  
3839 Northbrook Lane  
Middletown, Ohio 45044

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 17, 2009

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lemon Township  
Butler County  
3839 Northbrook Lane  
Middletown, Ohio 45044

To the Board of Trustees:

We have audited the accompanying financial statements of Lemon Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Lemon Township, Butler County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

August 17, 2009



**LEMON TOWNSHIP  
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$235,330	\$16,080	\$0	\$251,410
Charges for Services				0
Licenses, Permits, and Fees	20,069			20,069
Fines and Forfeitures	11,033	1,528		12,561
Intergovernmental	109,942	97,684	157,500	365,126
Special Assessments		9,127		9,127
Earnings on Investments	7,253	15,258		22,511
Miscellaneous	578			578
<b>Total Cash Receipts</b>	<u>384,205</u>	<u>139,677</u>	<u>157,500</u>	<u>681,382</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	184,665			184,665
Public Safety	223,215	500		223,715
Public Works	1,000	236,499		237,499
Health		10,931		10,931
Capital Outlay			157,500	157,500
<b>Total Cash Disbursements</b>	<u>408,880</u>	<u>247,930</u>	<u>157,500</u>	<u>814,310</u>
<b>Total Receipts (Under) Disbursements</b>	<u>(24,675)</u>	<u>(108,253)</u>	<u>0</u>	<u>(132,928)</u>
<b>Other Financing Disbursements:</b>				
Other Financing Uses	(306)			(306)
<b>Total Other Financing Disbursements</b>	<u>(306)</u>	<u>0</u>	<u>0</u>	<u>(306)</u>
<b>Excess of Cash Receipts (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(24,981)</u>	<u>(108,253)</u>	<u>0</u>	<u>(133,234)</u>
<b>Fund Cash Balances, January 1</b>	<u>207,704</u>	<u>733,719</u>		<u>941,423</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$182,723</u></u>	<u><u>\$625,466</u></u>	<u><u>\$0</u></u>	<u><u>\$808,189</u></u>

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

**LEMON TOWNSHIP  
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$231,688	\$7,633	\$239,321
Licenses, Permits, and Fees	10,865		10,865
Fines and Forfeitures	6,258	915	7,173
Intergovernmental	95,835	99,577	195,412
Special Assessments		8,428	8,428
Earnings on Investments	4,151	9,644	13,795
Miscellaneous	23,673		23,673
Total Cash Receipts	372,470	126,197	498,667
<b>Cash Disbursements:</b>			
Current:			
General Government	135,741	25,074	160,815
Public Safety	285,200	850	286,050
Public Works		107,436	107,436
Health		2,360	2,360
Capital Outlay		110	110
Total Cash Disbursements	420,941	135,830	556,771
Total Receipts (Under) Disbursements	(48,471)	(9,633)	(58,104)
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In		25,074	25,074
Transfers-Out	(25,074)		(25,074)
Total Other Financing Receipts / (Disbursements)	(25,074)	25,074	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(73,545)	15,441	(58,104)
Fund Cash Balances, January 1	281,249	718,278	999,527
<b>Fund Cash Balances, December 31</b>	<b>\$207,704</b>	<b>\$733,719</b>	<b>\$941,423</b>
Reserve for Encumbrances, December 31	\$0	\$0	\$0

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

**LEMON TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Deposits**

The Township values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**LEMON TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Miscellaneous Capital Projects Fund - The Township received a CDBG grant from Butler County to replace sidewalks.

**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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**LEMON TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**2. Equity in Pooled Cash and Deposits**

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

	2008	2007
Demand deposits	\$508,189	\$390,970
Certificates of deposit	300,000	550,453
Total deposits	808,189	941,423

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$383,213	\$384,205	\$992
Special Revenue	114,627	139,677	25,050
Capital Projects	0	157,500	157,500
Total	\$497,840	\$681,382	\$183,542

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$536,924	\$409,186	\$127,738
Special Revenue	829,369	247,930	581,439
Capital Projects	0	157,500	(157,500)
Total	\$1,366,293	\$814,616	\$551,677

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$279,073	\$372,470	\$93,397
Special Revenue	103,254	151,271	48,017
Total	\$382,327	\$523,741	\$141,414

**LEMON TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$593,066	\$446,015	\$147,051
Special Revenue	788,344	135,830	652,514
Total	\$1,381,410	\$581,845	\$799,565

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in Fund 4301, Miscellaneous Capital Projects by \$157,500 for the year ended December 31, 2008. Also contrary to Ohio law, at December 31, 2008 and 2007, the Township is not properly encumbering its commitments.

**4. Property Tax**

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. Retirement Systems**

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**LEMON TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. Risk Management**

**Risk Pool Membership**

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006 (the latest information available).

	<b>2007</b>	<b>2006</b>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**7. Compliance**

Contrary to Ohio law, the Township did not record or allocate interest to the Motor Vehicle License Tax Fund, Gasoline Fund, or Permissive Tax Fund.

Contrary to Ohio Revised Code, the Township Trustees' allocated salaries to a fund other than the General Fund without documentation of services rendered to those funds.

Contrary to Ohio law, the Township did not record revenue properly in the special revenue funds.

**This page intentionally left blank.**





# Mary Taylor, CPA

## Auditor of State

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

Lemon Township  
Butler County  
3839 Northbrook Lane  
Middletown, Ohio 45044

To the Board of Trustees:

We have audited the financial statements of Lemon Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 17, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Lemon Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 through 2008-004, and 2008-007 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-001 through 2008-004 are also material weaknesses.

We also noted certain matters that we reported to the Township's management in a separate letter dated August 17, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-002 through 2008-006.

We also noted certain noncompliance or other matters, not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 17, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

August 17, 2009

**LEMON TOWNSHIP  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2008-001**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed. Management should also verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records and perform analytical procedures to determine the reasonableness of financial data. The Township had the following deficiencies in cash and in their bank reconciliations:

- Reconciling items and differences on the reconciliations in September, October and November 2008 were not properly identified or investigated. One receipt totaling \$4,879 from the Butler County Auditor was recorded twice and two receipts totaling \$11,242 from the State of Ohio were not recorded on the books. A receipt was posted for \$9,915 on November 30, 2008 but did not have a corresponding deposit at the bank. This receipt was used to balance the books. The Township posted adjustments to their accounting records and financial statements for these items.
- In 2007, interest was recorded as a Miscellaneous receipt in the General Fund totaling \$3,743. In 2008, the Township earned interest on a First Financial certificate of deposit in May 2008, October 2008, and November 2008 but the interest was not posted until December 31, 2008. Interest from this certificate of deposit totaled \$10,399 but was posted for \$9,201 due to a penalty totaling \$1,198 for early withdrawal. This receipt was also posted as Miscellaneous revenue in the General Fund. A certificate of deposit from Fifth Third Bank matured in July 2008 earning interest of \$3,552 but this interest was never recorded on the books of the Township. See Finding 2008-002 detailing the proper allocation of interest to Special Revenue Funds. The Township posted adjustments to their accounting records and financial statements for these items.
- Deposits were not being made or recorded timely in the Township's accounting system. In 2008 and 2007, we noted instances in which the receipts were deposited up to 31 days after the date of the check or support letter were received. Transactions were recorded in the accounting system anywhere between six days and 34 days after the deposit was made. One item, a refund check from the Ohio Township Association Risk Management Authority sent certified mail, totaling \$23,337 was not deposited for over two and a half months. It was then not recorded for another 14 days after it was deposited. The check was dated July 24, 2007 and was not picked up at the post office by the Fiscal Officer until October 2007. Furthermore, the delay in depositing and recording transactions led to some of the reconciling problems as noted above. Numerous items recorded but not deposited were noted on the reconciliations in September, October, and November 2008 as well as many items deposited but not recorded at the time of the monthly reconciliations was performed.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and that all recorded transactions have been deposited with the financial institution.

Transactions should be posted in a timely manner and deposits should be made within twenty-four hours of receipt. Failure to promptly receipt and deposit revenues may result in loss or theft of funds. In addition, by not depositing revenues in a timely manner, the Township is not earning interest on these funds. We recommend the Township develop a policy regarding the deposit of funds. This policy should include the time frame that funds can be held before depositing and provisions and procedures to safeguard the money during the intervening period.

**FINDING NUMBER 2008-001  
 (Continued)**

We recommend the Township properly reconcile their books on a monthly basis. Any variances should be immediately investigated, justified, and adjusted for if necessary. We recommend the Township use due care to post all transactions timely and accurately. Interest revenue should be posted at the time the certificate of deposit matures.

**FINDING NUMBER 2008-002**

**Noncompliance Citation/Material Weakness**

**Ohio Revised Code, Section 135.21**, requires all interest to be credited to the General Fund except interest earned on money derived from a motor vehicle license tax or fuel tax which must follow the principal as required by Ohio Const. Art. XII, Section 5a and 1982 Op. Atty. Gen. No. 82-031.

The Township did not properly record or allocate interest earned on certificate of deposits to the Motor Vehicle License Tax Fund, Gasoline Fund, or Permissive Motor Vehicle License Tax Fund. The table below shows the amounts earned on the certificates of deposit, the amounts posted to the Township's accounting system, and the amounts not posted for each fiscal year.

<b>2007</b>		<b>Amount Earned</b>	<b>Amount Posted</b>	<b>Amount Not Posted</b>
Motor Vehicle License Tax Fund	2011	\$ 305.27	\$ -	\$ 305.27
Gasoline Tax Fund	2021	\$ 7,757.46	\$ 169.00	\$ 7,588.46
Permissive Tax Fund	2231	\$ 1,581.38	\$ 19.00	\$ 1,562.38
		<u>\$ 9,644.11</u>	<u>\$ 188.00</u>	<u>\$ 9,456.11</u>

  

<b>2008</b>		<b>Amount Earned</b>	<b>Amount Posted</b>	<b>Amount Not Posted</b>
Motor Vehicle License Tax Fund	2011	\$ 482.98	\$ 649.86	\$ (166.88)
Gasoline Tax Fund	2021	\$12,273.30	\$ 1,649.86	\$ 10,623.44
Permissive Tax Fund	2231	\$ 2,501.95	\$ 1,000.00	\$ 1,501.95
		<u>\$15,258.23</u>	<u>\$ 3,299.72</u>	<u>\$ 11,958.51</u>

The Township posted adjustments to the accompanying financial statements and accounting records to properly credit the above funds based on an average fund balance. Failure to properly credit interest could result in inaccurate fund balances. We recommend that Township credit the required funds for interest earned when a certificate of deposit matures.

### FINDING NUMBER 2008-003

#### Noncompliance Citation/Material Weakness

**Ohio Administrative Code, Section 117-2-01(D)**, states, in part, when designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies and ensure that accounting records are properly designed. In doing so management should ensure that all transactions are properly classified and recorded on the books and in the annual report to ensure that accounting records are accurate as to the type of revenue that is received, the type of disbursement made, or the fund that disbursements are made from.

**Ohio Revised Code, Section 5705.10(D)**, states, in part, that except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Various and numerous errors were noted in the Township's receipt and disbursements ledgers. Because of the aggregate number of these errors, the Township's financial position was not accurately presented on the financial statements. Numerous corrections to the receipt ledger were necessary in order to accurately reflect the intergovernmental, taxes, special assessments, miscellaneous receipts received by the Township as well as payroll and non-payroll disbursements.

The Township lacked management oversight in the proper recording of intergovernmental revenue and non-payroll disbursements of the Township. This lack of oversight is illustrated by the following:

- A \$160,000 Community Development Block Grant was posted to the ledgers as a memo receipt and disbursement in fiscal year 2007 when the grant was awarded. The actual expenditures were not dispersed to the contractor until January 2008 in the amount of \$157,500.
- During fiscal year 2007, the second half special assessment for the lighting district was posted to the General Fund instead of to the Special Assessments Fund (2401) totaling \$3,687. The first half payment was posted correctly to the Special Assessment Fund but to the wrong line item and at the wrong amount. The Township netted fees that belong in the General Fund against this receipt totaling \$773 in unrecorded special assessment revenue. The Township posted \$3,969 to the taxes line item instead of the special assessments line item. During 2008, all special assessments were posted as tax revenue totaling \$9,127.
- During both fiscal years 2007 and 2008, the Township posted tax receipts at net of applicable auditor and treasurer fees totaling unrecorded taxes and fees of \$5,225 in 2007 and \$8,628 in 2008.
- During both fiscal years 2007 and 2008, many intergovernmental receipts were posted to the taxes line item such as estate tax, liquor permits, intangible local government funds, and homestead/rollback. These amounts totaled \$25,519 in 2008 and \$23,752 in 2007. Also in 2008, homestead and rollback were posted net of fees totaling \$303.
- During both fiscal years 2007 and 2008, the intergovernmental portion of permissive tax that should have been posted to the Permissive Tax Fund (2231) was posted to the General Fund as Miscellaneous Revenue or Charges for Services totaling \$1,620 in 2007 and \$3,704 in 2008. Also, the Township posted some of the intergovernmental portion of permissive tax to the Motor Vehicle License Tax Fund (2011) totaling \$138 in 2007.

**FINDING NUMBER 2008-003  
(Continued)**

- During both 2007 and 2008, permissive tax receipts that should be posted to the Permissive Tax Fund (2231) as taxes were posted to the Motor Vehicle Fund (2011) as taxes, intergovernmental, or miscellaneous receipts totaling \$3,548 in 2008 and \$1,025 in 2007,
- During fiscal year 2008, \$11,242 of intergovernmental receipts were unrecorded in the General Fund.
- During fiscal year 2008, one receipt was recorded twice in the Gasoline Fund (2021) totaling \$4,879 and one receipt totaling \$9,915 was recorded in the accounting system in order to reconcile the Township's ledgers.
- During both 2007 and 2008, the contract expenditures with the City of Monroe were inaccurately recorded. During 2007, expenditures totaling \$120,200 relating to the Fire/EMS portion of the contract were posted as health expenditures instead of public safety expenditures. During 2008, the Township posted \$27,616 more to the Gasoline Fund (2021) for the street maintenance and repair portion of the contract than should have been according to the percentage breakdown as detailed in the contract.

The Township posted adjustments to the accompanying financial statements and accounting records for the above items.

To improve recordkeeping and accountability of intergovernmental revenues and non-payroll transactions, we recommend that the Fiscal Officer use due care to more accurately post the Township's receipts in order to present the most accurate financial status of the Township. The receipt and disbursements ledgers are utilized in the preparation of the Township's financial report and should accurately reflect the financial position of the Township in order for the Board of Trustees to make appropriate management decisions. This lack of proper management oversight resulted in material misstatement to the financial records and statements of the Township.

**FINDING NUMBER 2008-004**

**Noncompliance Citation/Material Weakness**

**Ohio Revised Code, Section 505.24(C)**, sets forth the method by which township should allocate trustees compensation. Ohio Attorney General Opinion 2004-036 amplifies this Section. This section requires compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the Lemon Township Management Letter for the years ending December 31, 2005 and 2006.

Contrary to this section, the Board of Trustees, in fiscal year 2006, approved allocation of the Trustees' salaries as follows: 25% to the General Fund (Fund 1000) and 75% to the Gasoline Fund (Fund 2021). These percentages were also used in fiscal year 2007 through July 2007. The Township reimbursed the Gasoline Fund (Fund 2021) for all Trustee salaries posted through July 2007 in response to the 2005-2006 audit findings on this issue. However, after July, the Township posted \$1,529 in additional expenditures to the Gasoline Fund for salaries (Fund 2021) and there is no supporting timesheets or documentation by the Trustees showing the time spent on activities relating to the Gasoline Fund.

**FINDING NUMBER 2008-004  
(Continued)**

The Township posted an adjustment to the accompanying financial statements for the above item.

We recommend that the Township Board of Trustees adopt a resolution to pay trustees by salary or per diem. We further recommend to the Board of Trustees that they follow the procedures outlined above.

**FINDING NUMBER 2008-005**

**Noncompliance Citation**

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

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

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

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

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

Of 62 expenditures tested, 91% of items tested in 2007 and 90% of items tested in 2008 were not properly certified. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2008-005  
 (Continued)**

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

We recommend the Township officials certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2008-006**

**Noncompliance Citation**

**Ohio Revised Code, Section 5705.41(B)**, prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Budgetary expenditures exceeded appropriations for the year ended December 31, 2008 as follows:

<b>Fund #</b>	<b>Fund Name</b>	<b>Appropriation Authority</b>	<b>Total Expenditures</b>	<b>Variance</b>
4301	Miscellaneous Capital Projects	\$ 0	\$ 157,500	\$ (157,500)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and negative fund balances.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2008-007**

**Significant Deficiency**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. The Township failed to properly post estimated resources and appropriations to their accounting system. The following differences were noted between the system and the approved budgetary documents each fiscal year:



**FINDING NUMBER 2008-007  
 (Continued)**

<b>Estimated Resources</b>	<b>Per Certificate of Estimated Resources</b>	<b>Amount Posted to System</b>	<b>Variance</b>
General Fund – 2007	\$ 279,073	\$ 291,199	\$ 12,126
General Fund – 2008	\$ 383,213	\$ 189,815	\$ (193,398)
Motor Vehicle Fund – 2008	\$ 5,343	\$ 3,959	\$ (1,384)
Gasoline Tax Fund – 2008	\$ 93,807	\$ 90,540	\$ (3,267)
Drug Law Enforcement Fund - 2008	\$ 645	\$ 112	\$ (533)
Enforcement & Education Fund - 2008	\$ 270	\$ 510	\$ 240
Permissive Motor Vehicle Tax Fund - 2008	\$ 6,626	\$ 10,627	\$ 4,001
Lighting District Fund – 2008	\$ 7,936	\$ 6,968	\$ (968)

  

<b>Appropriations</b>	<b>Per Appropriatio n Resolution</b>	<b>Amount Posted to System</b>	<b>Variance</b>
General Fund – 2008	\$ 536,924	\$ 545,123	\$ 8,199

Failure to properly post estimated receipts and appropriations could result in excessive spending and possible negative fund balances. We recommend the Township properly post estimated resources and appropriations to their budgetary ledgers. Once posted, the Fiscal Officer and the Trustees should compare the estimated resources and appropriations on the accounting system to the official documents.

**This page intentionally left blank.**

**LEMON TOWNSHIP  
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2006-001	Finding for Recovery Repaid Under Audit – Expenditures not a Proper Public Purpose	Yes	
Finding 2006-002	ORC 5705.41(D)(1) – Not Properly Encumbering	No	Not Corrected – Repeated as Finding 2008-005
Finding 2006-003	ORC 5705.10(D) – Not Properly Posting Revenue	No	Not Corrected – Repeated as Finding 2008-003
Finding 2006-004	ORC 5705.39 Appropriations Exceeding Estimated Revenue	No	Partially Corrected – Repeated in the Management Letter





Mary Taylor, CPA  
Auditor of State

**LEMON TOWNSHIP**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 10, 2009**