



Dave Yost • Auditor of State

FLORENCE TOWNSHIP
ERIE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Florence Township
Erie County
11011 Chapel Street
Wakeman, Ohio 44889-8359

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

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 Florence Township, Erie County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 Florence Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, 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

May 24, 2013

**FLORENCE TOWNSHIP
ERIE COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$103,755	\$139,180	\$70,257	\$313,192
Charges for Services	33,973			33,973
Licenses, Permits and Fees	24,967			24,967
Intergovernmental	53,185	124,106	308,750	486,041
Special Assessments	3,550			3,550
Earnings on Investments	201			201
Miscellaneous	3,697	11,918		15,615
<i>Total Cash Receipts</i>	<u>223,328</u>	<u>275,204</u>	<u>379,007</u>	<u>877,539</u>
Cash Disbursements				
Current:				
General Government	108,858			108,858
Public Safety	416	67,992	37,701	106,109
Public Works	40,875	86,265		127,140
Health	14,335	4,627		18,962
Capital Outlay	7,287	166,640	308,750	482,677
Debt Service:				
Principal Retirement	10,017	18,878	40,906	69,801
Interest and Fiscal Charges	922	5,182	6,348	12,452
<i>Total Cash Disbursements</i>	<u>182,710</u>	<u>349,584</u>	<u>393,705</u>	<u>925,999</u>
<i>Net Change in Fund Cash Balances</i>	40,618	(74,380)	(14,698)	(48,460)
<i>Fund Cash Balances, January 1</i>	<u>103,794</u>	<u>243,139</u>	<u>109,738</u>	<u>456,671</u>
Fund Cash Balances, December 31				
Restricted		121,324	95,040	216,364
Committed		47,435		47,435
Unassigned	144,412			144,412
<i>Fund Cash Balances, December 31</i>	<u>\$144,412</u>	<u>\$168,759</u>	<u>\$95,040</u>	<u>\$408,211</u>

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

**FLORENCE TOWNSHIP
ERIE COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$114,118	\$151,567	\$57,067	\$322,752
Charges for Services	32,355			32,355
Licenses, Permits and Fees	23,399			23,399
Intergovernmental	64,380	104,993	54,139	223,512
Special Assessments	2,219			2,219
Earnings on Investments	493			493
Miscellaneous	10,808	7,895		18,703
<i>Total Cash Receipts</i>	<u>247,772</u>	<u>264,455</u>	<u>111,206</u>	<u>623,433</u>
Cash Disbursements				
Current:				
General Government	113,760			113,760
Public Safety	11,676	78,128	49,965	139,769
Public Works	25,631	109,038		134,669
Health	9,647	2,843		12,490
Capital Outlay	41,695	251,020		292,715
Debt Service:				
Principal Retirement	75,790		39,130	114,920
Interest and Fiscal Charges	2,868		8,124	10,992
<i>Total Cash Disbursements</i>	<u>281,067</u>	<u>441,029</u>	<u>97,219</u>	<u>819,315</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(33,295)</u>	<u>(176,574)</u>	<u>13,987</u>	<u>(195,882)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds		160,000		160,000
Transfers In		106,439		106,439
Transfers Out	(106,439)			(106,439)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(106,439)</u>	<u>266,439</u>		<u>160,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(139,734)</u>	<u>89,865</u>	<u>13,987</u>	<u>(35,882)</u>
<i>Fund Cash Balances, January 1</i>	<u>243,528</u>	<u>153,274</u>	<u>95,751</u>	<u>492,553</u>
Fund Cash Balances, December 31				
Restricted		91,191	109,738	200,929
Committed		151,948		151,948
Unassigned	103,794			103,794
<i>Fund Cash Balances, December 31</i>	<u>\$103,794</u>	<u>\$243,139</u>	<u>\$109,738</u>	<u>\$456,671</u>

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

**FLORENCE TOWNSHIP
ERIE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Florence Township, Erie County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, and fire protection.

The Township participates in one jointly governed organization and one public entity risk pool. Notes 8 and 10 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organization:

Vermilion River Ambulance District provides ambulance service.

Public Entity Risk Pool:

Ohio Plan Risk Management provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members.

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. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**FLORENCE TOWNSHIP
ERIE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge Fund - This fund receives 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.

3. 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:

Special Fire Levy Equipment Fund – This fund receives property tax and grant moneys for providing fire protection services and equipment to the Township.

FEMA Fire Tanker Fund - The Township received a grant from the Federal Emergency Management Agency (FEMA) to purchase a new fire tanker truck.

D. Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, program or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 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 carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

E. 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:

**FLORENCE TOWNSHIP
ERIE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

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.

G. 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.

**FLORENCE TOWNSHIP
ERIE COUNTY**

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

2. CHANGE IN ACCOUNTING PRINCIPLE

For 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. EQUITY IN POOLED DEPOSITS

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

	2012	2011
Demand deposits	\$408,211	\$456,671

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

4. BUDGETARY ACTIVITY

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

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$198,748	\$223,328	\$24,580
Special Revenue	253,841	275,204	21,363
Capital Projects	375,612	379,007	3,395
Total	\$828,201	\$877,539	\$49,338

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$234,627	\$182,879	\$51,748
Special Revenue	397,063	349,589	47,474
Capital Projects	403,510	393,705	9,805
Total	\$1,035,200	\$926,173	\$109,027

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$229,237	\$247,772	\$18,535
Special Revenue	472,418	530,894	58,476
Capital Projects	72,056	111,206	39,150
Total	\$773,711	\$889,872	\$116,161

**FLORENCE TOWNSHIP
ERIE COUNTY**

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

4. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$488,166	\$387,910	\$100,256
Special Revenue	457,621	543,575	(85,954)
Capital Projects	114,580	97,219	17,361
Total	\$1,060,367	\$1,028,704	\$31,663

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.

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.

6. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Pierce Fire Truck Lease	\$110,577	4.49%
Road Truck Promissory Note	20,235	3.60%
Township Garage Promissory Note	138,190	3.46%
Total	\$269,002	

The Pierce Fire Truck debt is a lease-purchase agreement with Oshkosh Capital to obtain a new fire truck. The debt will be paid in semiannual installments of \$23,627 including interest.

The Township took out a promissory note to finance the purchase of a truck for the road department. The note will be paid in monthly installments of \$912 including interest.

The Township took out a promissory note to finance the construction of a new Township garage. The note will be paid in semiannual installments of \$25,770 including interest. This note was obtained contrary to the requirements of the Ohio Revised Code.

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

**FLORENCE TOWNSHIP
ERIE COUNTY**

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

6. DEBT (Continued)

Year ending December 31:	Pierce Fire Truck Lease	Road Truck Promissory Note	Township Garage Promissory Note
2013	\$47,254	\$10,944	\$25,770
2014	47,254	10,028	25,770
2015	23,627		25,770
2016			25,770
2017			25,770
2018			24,225
Total	<u>\$118,135</u>	<u>\$20,972</u>	<u>\$153,075</u>

7. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System

Township officials and certain 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 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

B. Social Security

All employees not otherwise covered by the Ohio Public Employees retirement System contribute to Social Security. The Township's liability is 6.2 percent of wages paid.

8. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**FLORENCE TOWNSHIP
ERIE COUNTY**

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

8. RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available).

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	<u>\$7,172,519</u>	<u>\$7,191,485</u>

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

9. CONTINGENT LIABILITIES

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

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.

10. JOINTLY GOVERNED ORGANIZATION

Vermilion River Ambulance District

A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Wakeman, Florence Township, Townsend Township, and Wakeman Township. The District provides ambulance service within the District by contracting with Citizens Ambulance Service. Financial information can be obtained from Cal Canfield, Clerk, 5325 Fitchville River Road, Wakeman, Ohio 44889-8920.

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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*

Florence Township
Erie County
11011 Chapel Street
Wakeman, Ohio 44889-8359

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 Florence Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated May 24, 2013 wherein we noted the Township followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and wherein we noted the Township adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-002.

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www.ohioauditor.gov

Entity's Response to Findings

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

May 24, 2013

**FLORENCE TOWNSHIP
ERIE COUNTY**

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

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

Material Weakness - Financial Reporting

We identified the following errors requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2011:

- Estimated Receipts were decreased in the General and Special Revenue fund types in the amounts of \$15,402 and \$65,665, respectively in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- Appropriations were decreased in the Special Revenue fund type in the amount of \$204,708 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- Principal and interest payments in the amounts of \$53,911 and \$35, respectively, in the General fund related to the payoff of the township office loan were improperly classified as capital outlay disbursements;
- Other Debt Proceeds in the amount of \$160,000 in the Road and Bridge fund were improperly classified as miscellaneous receipts;
- The Road and Bridge fund balance of \$151,948 was reclassified from Restricted to Committed due to the allocation of inside tax millage to the Road and Bridge fund;
- Intergovernmental receipts in the amount of \$8,258 in the Fire Equipment fund were incorrectly recorded as property and other local taxes receipts; and
- Intergovernmental receipts from grants in the amount of \$41,380 in the Fire Equipment fund were incorrectly recorded as other financing sources.

We also identified the following errors requiring adjustment to the financial statements for the year ending December 31, 2012:

- Intergovernmental receipts in the amounts of \$18,638, \$15,348, and \$9,487 in the General, Road and Bridge, and Special Fire Levy funds were incorrectly recorded as property and other local taxes receipts.

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

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the Ohio Township Handbook at the following web site address for guidance on the recording of transactions:

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

<http://www.ohioauditor.gov/services/lgs/publications/LocalGovernmentManualsHandbooks/Ohio%20Township%20Handbook%202013.pdf>

Officials' Response:

The Fiscal Officer will review the Ohio Township Handbook to ensure proper fund and account posting.

FINDING NUMBER 2012-002

Noncompliance Citation

Ohio Revised Code Chapters 133 and 505 allows various methods for Townships to incur debt. These include:

- **Ohio Revised Code §133.22** which allows a subdivision to issue anticipatory securities,
- **Ohio Revised Code §133.10** which allows anticipation securities in anticipation of current property tax revenues,
- **Ohio Revised Code §133.12** which allows a subdivision to issue general obligation securities to meet emergencies,
- **Ohio Revised Code §133.15** which allows a subdivision to issue securities to pay for permanent improvements,
- **Ohio Revised Code §133.151** which allows a township to issue self-supporting securities to pay for the costs of any permanent improvements,
- **Ohio Revised Code §133.14** which allows the issuance of securities for the purpose of providing funds with which to pay one or more final judgments rendered against the subdivision,
- **Ohio Revised Code §133.18** allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue, and
- **Ohio Revised Code §505.262** which allows the board of township trustees to issue securities for the construction of buildings.

In 2011, the Township signed a promissory note with a local bank to finance the construction of a new garage for \$160,000. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapters 133 or 505. Failure to comply with the Ohio Revised Code could result in improper use of Township money.

The Ohio Revised Code contains various methods of incurring debt for Townships. Promissory notes with banking institutions are not legal methods of debt for Townships. We recommend the Township contact their legal counsel before incurring future debt.

Officials' Response:

The Township will seek legal advice before issuing debt in the future.



Dave Yost • Auditor of State

FLORENCE TOWNSHIP

ERIE 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
JUNE 25, 2013**