



**LEE TOWNSHIP  
MONROE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999 -1998**



**JIM PETRO  
AUDITOR OF STATE**

STATE OF OHIO



**LEE TOWNSHIP  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Lee Township  
Monroe County  
PO Box 219  
Sardis, Ohio 43946

To the Board of Trustees:

We have audited the accompanying financial statements of Lee Township, Monroe County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Lee Township, Monroe County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2000 on our consideration of Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

May 4, 2000



**LEE TOWNSHIP  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$16,620	\$12,025			\$28,645
Intergovernmental	23,590	70,848	\$6,000	\$1,090	101,528
Licenses, Permits, and Fees		2,900			2,900
Earnings on Investments	1,917	551			2,468
Other Revenue	100	2,675			2,775
					<hr/>
Total Cash Receipts	42,227	88,999	6,000	1,090	138,316
<b>Cash Disbursements:</b>					
Current:					
General Government	24,980				24,980
Public Safety		7,145			7,145
Public Works	9,707	59,231			68,938
Health	2,880	4,585			7,465
Miscellaneous		19,493			19,493
Debt Service:					
Redemption of Principal			4,662		4,662
Interest and Fiscal Charges			286		286
Capital Outlay		59,777			59,777
					<hr/>
Total Cash Disbursements	37,567	150,231	4,948	0	192,746
Total Receipts Over/(Under) Disbursements	4,660	(61,232)	1,052	1,090	(54,430)
<b>Other Financing Receipts/(Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Sale of Notes		55,365			55,365
Transfers-In	1,766	14,586			16,352
Transfers-Out		(16,352)			(16,352)
Other Sources	41	300			341
					<hr/>
Total Other Financing Receipts/(Disbursements)	1,807	53,899	0	0	55,706
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,467	(7,333)	1,052	1,090	1,276
Fund Cash Balances, January 1	27,367	88,720	693	0	116,780
<b>Fund Cash Balances, December 31</b>	<b><u>\$33,834</u></b>	<b><u>\$81,387</u></b>	<b><u>\$1,745</u></b>	<b><u>\$1,090</u></b>	<b><u>\$118,056</u></b>

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

**LEE TOWNSHIP  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$15,390	\$11,757		\$27,147
Intergovernmental	32,939	118,128	\$6,000	157,067
Licenses, Permits, and Fees		2,400		2,400
Earnings on Investments	1,595	545		2,140
Other Revenue	111	58		169
	<u>50,035</u>	<u>132,888</u>	<u>6,000</u>	<u>188,923</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	27,914			27,914
Public Safety		7,230		7,230
Public Works	12,346	62,658		75,004
Health	2,639	5,191		7,830
Miscellaneous		11,539		11,539
Debt Service:				
Redemption of Principal			8,364	8,364
Interest and Fiscal Charges			749	749
Capital Outlay		793		793
	<u>42,899</u>	<u>87,411</u>	<u>9,113</u>	<u>139,423</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>7,136</u>	<u>45,477</u>	<u>(3,113)</u>	<u>49,500</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	1,806	6,670		8,476
Transfers-Out		(8,476)		(8,476)
Other Sources	2,902	1,700		4,602
	<u>4,708</u>	<u>(106)</u>	<u>0</u>	<u>4,602</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,844	45,371	(3,113)	54,102
Fund Cash Balances, January 1	<u>15,523</u>	<u>43,349</u>	<u>3,806</u>	<u>62,678</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$27,367</u></u>	<u><u>\$88,720</u></u>	<u><u>\$693</u></u>	<u><u>\$116,780</u></u>

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



**LEE TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Lee Township, Monroe County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with Sardis Volunteer Fire Department to provide fire services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from 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.

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money to pay for constructing, maintaining and repairing Township roads.

FEMA Fund- This fund receives money from the Federal Emergency Management Agency to provide flood relief to the Township.

**LEE TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**3. Debt Service Funds (Continued)**

The debt service fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Fund:

Note Retirement Fund - This fund receives gasoline tax money to pay principal and interest on the outstanding note debt.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Solid Waste Fund - The Township received a grant from Noble County to construct a building for compost.

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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. 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 1999 and 1998 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**LEE TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**2. EQUITY IN POOLED CASH**

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$118,056	\$116,780
Total deposits	<u>\$118,056</u>	<u>\$116,780</u>

**Deposits:** Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$34,159	\$44,034	\$9,875
Special Revenue	70,519	159,250	88,731
Debt Service	6,000	6,000	0
Capital Project	0	1,090	1,090
Total	<u>\$110,678</u>	<u>\$210,374</u>	<u>\$99,696</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$61,526	\$37,567	\$23,959
Special Revenue	159,240	166,583	(7,343)
Debt Service	6,692	4,948	1,744
Capital Project	0	0	0
Total	<u>\$227,458</u>	<u>\$209,098</u>	<u>\$18,360</u>

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$49,959	\$54,743	\$4,784
Special Revenue	135,091	141,258	6,167
Debt Service	6,000	6,000	0
Total	<u>\$191,050</u>	<u>\$202,001</u>	<u>\$10,951</u>

**LEE TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,471	\$42,899	\$4,572
Special Revenue	178,452	95,887	82,565
Debt Service	9,806	9,113	693
Total	\$235,729	\$147,899	\$87,830

During 1999 and 1998, the Township did not properly obtain the Clerk's prior certification for expenditures contrary to Ohio Rev. Code Section 5705.41 (D). During 1999 the Township had expenditures in excess of appropriations in the Fire Levy Fund and the Gasoline Tax Fund, Special Revenue Fund types, contrary to Ohio Rev. Code Section 5705.41(B).

**4. PROPERTY TAX**

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

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. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Promissory Note	\$10,000	5.00%
Lease to Purchase Agreement	45,365	7.00%
Total	\$55,365	

**LEE TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**5. DEBT (Continued)**

The promissory note was issued to finance the purchase of a used truck w/spreader and snow blade, which serves as collateral for the note. Annual payments of \$2,310 are to be paid to Citizens National Bank of Woodsfield. The lease to purchase agreement was issued to purchase a new tractor with mower, to be used for Township road maintenance with annual payments of \$9,423. The lease to purchase agreement has a clause that allows the lessee to purchase the equipment by giving the lessor 30 days written notice of their intent to purchase, using the purchase option price. The equipment serves as collateral for the lease to purchase agreement.

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

Year ending December 31:	Promissory Note	Lease to Purchase
2000	\$2,310	\$9,423
2001	2,310	9,423
2002	2,310	9,423
2003	2,310	9,423
2004	2,310	9,423
2005	0	9,423
Total	\$11,550	\$56,538

**6. RETIREMENT SYSTEM**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Lee Township  
Monroe County  
PO Box 219  
Sardis, Ohio 43946

To the Board of Trustees:

We have audited the accompanying financial statements of Lee Township, Monroe County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 4, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-41056-001 and 1999-41056-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 4, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 4, 2000.

This report is intended for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

May 4, 2000



**LEE TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-41056-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
  
- B. Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Sixty-three percent of transactions tested in 1999 and sixty-seven percent of the transactions tested in 1998 did not include prior certification of the Clerk, nor was there evidence of a "Then and Now" certificate being used by the Clerk.

We recommend that the Clerk certify the availability of funds prior to the cash expenditure, and to encumber the entire amount of the invoice at the time the purchase order is approved.

**FINDING NUMBER 1999-41056-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The following funds had expenditures which exceeded appropriations during 1999:

Special Revenue Funds	
Fire Levy Fund	\$283
Gasoline Tax Fund	\$47,497

Township management should monitor available appropriations, and should deny payments that exceed appropriations. If available resources exist to make the payment, management should request the Board of Trustees to consider amending appropriations.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**LEE TOWNSHIP**

**MONROE 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  
JULY 18, 2000**