



**LEMON TOWNSHIP  
BUTLER COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**LEMON TOWNSHIP  
BUTLER COUNTY**

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## 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, 2000 and 1999. 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 described 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 and reserves for encumbrances of the Township as of December 31, 2000 and 1999, 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 April 10, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Lemon Township  
Butler County  
Independent Accountants' Report  
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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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 10, 2001

**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, 2000**

	<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Local Taxes		\$14,099	\$14,099
Intergovernmental	\$312,278	52,471	364,749
Licenses, Permits, and Fees	10		10
Fines, Forfeitures, and Penalties	11,192	1,802	12,994
Earnings on Investments	32,033	6,129	38,162
Other Revenue	10,584		10,584
 Total Cash Receipts	 366,097	 74,501	 440,598
<b>Cash Disbursements:</b>			
Current:			
General Government	110,609		110,609
Public Safety	183,512	650	184,162
Public Works	5,879	33,018	38,897
Health		25	25
Capital Outlay		480	480
 Total Cash Disbursements	 300,000	 34,173	 334,173
 Total Receipts Over/(Under) Disbursements	 66,097	 40,328	 106,425
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 66,097	 40,328	 106,425
 Fund Cash Balances, January 1	 1,099,939	 656,048	 1,755,987
 <b>Fund Cash Balances, December 31</b>	 <b>\$1,166,036</b>	 <b>\$696,376</b>	 <b>\$1,862,412</b>
 Reserve for Encumbrances, December 31	 \$608	 \$0	 \$608

*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, 1999**

	<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Local Taxes		\$15,103	\$15,103
Intergovernmental	\$287,191	55,663	342,854
Licenses, Permits, and Fees	35		35
Fines, Forfeitures, and Penalties	8,768	634	9,402
Earnings on Investments	59,939		59,939
Other Revenue	9,310	116	9,426
	365,243	71,516	436,759
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	114,236		114,236
Public Safety	95,902	118,516	214,418
Public Works	2,264	53,976	56,240
Health		3,262	3,262
Capital Outlay		3,938	3,938
	212,402	179,692	392,094
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	152,841	(108,176)	44,665
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	152,841	(108,176)	44,665
Fund Cash Balances, January 1	947,098	764,224	1,711,322
<b>Fund Cash Balances, December 31</b>	<b>\$1,099,939</b>	<b>\$656,048</b>	<b>\$1,755,987</b>
Reserve for Encumbrances, December 31	\$608	\$0	\$608

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



**LEMON TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Lemon Township, Butler County, Ohio (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, fire protection and emergency medical services. The Township contracts with the City of Monroe to provide police and fire protection. The Township also contracts with the City of Monroe for street maintenance.

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. 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit and money market mutual funds are valued at cost.

**D. 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:

Permissive Motor Vehicle License Fund - This fund receives monies from motor vehicle registration fees and is used for constructing, maintaining, and repairing Township roads.

**LEMON TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

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

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 tax money for constructing, maintaining, and repairing Township roads.

**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 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. 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. The Township did not encumber all commitments required by Ohio law, however, a review was performed to determine the amount of encumbrances at year end which were not recorded. As of December 31, 2000 and 1999 there were no material unrecorded encumbrances outstanding.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**F. 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.

**LEMON TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$716,812	\$1,655,987
Certificates of deposit	<u>500,000</u>	<u>100,000</u>
Total deposits	<u>1,216,812</u>	<u>1,755,987</u>
Money Market Mutual Fund	<u>645,600</u>	<u>0</u>
Total investments	<u>645,600</u>	<u>0</u>
Total deposits and investments	<u><u>\$1,862,412</u></u>	<u><u>\$1,755,987</u></u>

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

**Investments:** Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$353,192	\$366,097	\$12,905
Special Revenue	<u>69,725</u>	<u>74,501</u>	<u>4,776</u>
Total	<u><u>\$422,917</u></u>	<u><u>\$440,598</u></u>	<u><u>\$17,681</u></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$300,608	(\$300,608)
Special Revenue	<u>0</u>	<u>34,173</u>	<u>(34,173)</u>
Total	<u><u>\$0</u></u>	<u><u>\$334,781</u></u>	<u><u>(\$334,781)</u></u>

**LEMON TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$331,764	\$365,243	\$33,479
Special Revenue	70,648	71,516	868
Total	\$402,412	\$436,759	\$34,347

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$213,010	(\$213,010)
Special Revenue	0	179,692	(179,692)
Total	\$0	\$392,702	(\$392,702)

The Township did not pass appropriation measurers for 1999 and 2000, therefore expenditures exceeded appropriations in all funds.

**4. RETIREMENT SYSTEMS**

The Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 1999 and 10.84% for 2000. The Township has paid all contributions required through December 31, 2000.

**5. RISK MANAGEMENT**

The Township is a member of the Ohio Township Association Risk Management Authority Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Property

The Township also provides health insurance and dental and vision coverage to elected officials through a private carrier.



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

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, 2000 and 1999, and have issued our report thereon dated April 10, 2001. 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 2000-40409-001, 2000-40409-002 and 2000-40409-003. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 10, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lemon Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-40409-002 and 2000-40409-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that

Lemon Township  
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Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
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also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-40409-002 and 2000-40409-003 to be material weaknesses.

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

**Jim Petro**  
Auditor of State

April 10, 2001

**LEMON TOWNSHIP  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2000-40409-001**

**Non Compliance - Finding for Recovery Repaid While Under Audit - Elected Officials Payroll**

The Township Trustees were overpaid for fiscal year 1999. All the Trustees were paid using the new increased pay schedule enacted by House Bill 408. House Bill 408 increased the compensation of Township Trustees as set by Ohio Revised Code, Section 505.24. The error in pay resulted from a miscalculation of pay based on the use of the wrong pay schedule by the Township Clerk. As a result, Trustees Mike Rossi, Elsa Croucher, and Carl Hollon were each overpaid by \$176 in fiscal year 1999.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, findings for recovery for public monies illegally expended were issued against Trustees Mike Rossi, Elsa Croucher, and Carl Hollon, in the amount of \$176 each in favor of Lemon Township's General Fund. All trustees have repaid their findings.

**FINDING NUMBER 2000-40409-002**

**Material Noncompliance /Material Weakness**

Ohio Revised Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The Township did not properly certify purchases. The obligation date preceded the certification date for 57% of the expenditures tested. We recommend, where possible, the Clerk certify the availability of funds when a commitment is made. Where prior certification is not feasible, we encourage the Clerk to utilize then and now certificates or blanket certificates.

A search for unrecorded encumbrances discovered \$2,601 in obligations of the General Fund not properly encumbered as of December 31, 2000. These did not meet the exceptions provided in the Code. This had no effect on the financial statements.

**FINDING NUMBER 2000-40409-003**

**Material Noncompliance/Material Weakness**

Ohio Revised Code, Section 5705.38, provides that on or about the first day of each fiscal year, an appropriation measure is to be passed. The Township failed to approve an appropriation measure and also failed to file appropriations with the County Auditor for 1999 and 2000. Ohio Revised Code, Section 5705.41(B), stipulates that no subdivision or taxing unit is to expend money unless it has been appropriated. An appropriation measure is not effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township failed to file appropriations with the County Auditor for 1999 and 2000, therefore expenditures exceeded appropriations in all funds.

The Board not approving appropriations and certifying them to the County Auditor results in appropriations not being effective. When expenditures exceed appropriations negative fund balances could result.

We recommend that appropriations be approved by the Board and certified to the County Auditor.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**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  
MAY 8, 2001**