



**Auditor of State  
Betty Montgomery**



LEE TOWNSHIP  
CARROLL COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Lee Township  
Carroll County  
4006 Peace Rd.  
Carrollton, Ohio 44615

To the Board of Trustees:

We have audited the accompanying financial statements of Lee Township (the Township) as of and for the years ended December 31, 2002 and 2001. 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 *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 the Township as of December 31, 2002 and 2001, 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 12, 2003 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.

This report is intended solely for the information and use of the management, the Board 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 12, 2003

**LEE TOWNSHIP  
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$30,610	\$32,283			\$62,893
Licenses, Permits and Fees		4,975			4,975
Intergovernmental Receipts	9,517	71,362			80,879
Earnings on Investments	63	126		2,380	2,569
Miscellaneous	508	3,130			3,638
	<u>40,698</u>	<u>111,876</u>	<u>0</u>	<u>2,380</u>	<u>154,954</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	23,288	9,054			32,342
Public Works		97,414			97,414
Health	13,335	7,735			21,070
Conservation/Recreation	342				342
Debt Service:					
Principal Payments		7,886			7,886
Interest Payments		1,388			1,388
Capital Outlay		39,590			39,590
	<u>36,965</u>	<u>163,067</u>	<u>0</u>	<u>0</u>	<u>200,032</u>
Total Receipts Over/(Under) Disbursements	<u>3,733</u>	<u>(51,191)</u>	<u>0</u>	<u>2,380</u>	<u>(45,078)</u>
<b>Other Financing Receipts:</b>					
Sale of Bonds or Notes		39,370			39,370
Total Other Financing Receipts	<u>0</u>	<u>39,370</u>	<u>0</u>	<u>0</u>	<u>39,370</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	3,733	(11,821)	0	2,380	(5,708)
Fund Cash Balances, January 1	<u>6,302</u>	<u>49,081</u>	<u>1</u>	<u>99,024</u>	<u>154,408</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$10,035</u></b>	<b><u>\$37,260</u></b>	<b><u>\$1</u></b>	<b><u>\$101,404</u></b>	<b><u>\$148,700</u></b>

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

LEE TOWNSHIP  
CARROLL COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Nonexpendable Trust</u>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	<u>\$1,154</u>
Total Operating Cash Receipts	<u>1,154</u>
<b>Operating Cash Disbursements:</b>	
Purchased Services	<u>375</u>
Total Operating Cash Disbursements	<u>375</u>
Operating Income	779
Fund Cash Balances, January 1	<u>29,941</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$30,720</u></u>

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

**LEE TOWNSHIP  
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$28,779	\$30,841			\$59,620
Licenses, Permits and Fees		250			250
Intergovernmental Receipts	12,370	63,607			75,977
Earnings on Investments	305	555		4,791	5,651
Miscellaneous	183	9,424			9,607
	<u>41,637</u>	<u>104,677</u>	<u>0</u>	<u>4,791</u>	<u>151,105</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	41,273	7,935		808	50,016
Public Works		83,135			83,135
Health	14,357	650			15,007
Conservation/Recreation	976			372	1,348
Capital Outlay		19,112			19,112
	<u>56,606</u>	<u>110,832</u>	<u>0</u>	<u>1,180</u>	<u>168,618</u>
Total Receipts Over/(Under) Disbursements	<u>(14,969)</u>	<u>(6,155)</u>	<u>0</u>	<u>3,611</u>	<u>(17,513)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Advances-In	10,000				10,000
Advances-Out				(10,000)	(10,000)
	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>(10,000)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(4,969)	(6,155)	0	(6,389)	(17,513)
Fund Cash Balances, January 1	<u>11,271</u>	<u>55,236</u>	<u>1</u>	<u>105,413</u>	<u>171,921</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$6,302</u></b>	<b><u>\$49,081</u></b>	<b><u>\$1</u></b>	<b><u>\$99,024</u></b>	<b><u>\$154,408</u></b>

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

LEE TOWNSHIP  
CARROLL COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Nonexpendable Trust</u>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	<u>\$1,464</u>
Total Operating Cash Receipts	<u>1,464</u>
<b>Operating Cash Disbursements:</b>	
Purchased Services	<u>800</u>
Total Operating Cash Disbursements	<u>800</u>
Operating Income	664
Fund Cash Balances, January 1	<u>29,277</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$29,941</u></u></b>

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

**LEE TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Lee Township, Carroll 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 road and bridge maintenance and cemetery maintenance. The Township contracts with Loudon Township and the Village of Carrollton 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. 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**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. The Township has an interest bearing checking account. Interest earned is recognized and recorded when received.

**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:

*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.

**LEE TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**3. Debt Service Funds**

The debt service fund is used to accumulate resources for note indebtedness.

**4. Fiduciary Funds (Trust Funds)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary funds:

Expendable Trust Fund – This fund can be used for any reason deemed necessary by the Township Trustees.

Non-Expendable Trust Funds – These funds are used for the maintenance of the cemetery.

**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 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) 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 2002 and 2001 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.

**LEE TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(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:

	2002	2001
Demand deposits	\$61,120	\$66,049
Certificates of deposit	118,300	118,300
Total deposits	179,420	184,349

**Deposits:** Deposits are either (1) insured by the Federal Depository 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, 2002 and 2001 follows:

**2002 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,827	\$40,698	\$871
Special Revenue	141,496	151,246	9,750
Debt Service	0	0	0
Fiduciary	5,825	3,534	(2,291)
Total	\$187,148	\$195,478	\$8,330

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$35,790	\$36,965	(\$1,175)
Special Revenue	140,246	163,067	(22,821)
Debt Service	0	0	0
Fiduciary	750	375	375
Total	\$176,786	\$200,407	(\$23,621)

**2001 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,687	\$41,637	(\$5,050)
Special Revenue	95,573	104,677	9,104
Debt Service	0	0	0
Fiduciary	6,208	6,255	47
Total	\$148,468	\$152,569	\$4,101

**LEE TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,950	\$56,606	\$1,344
Special Revenue	143,935	110,832	33,103
Debt Service	0	0	0
Fiduciary	25,750	1,980	23,770
Total	\$227,635	\$169,418	\$58,217

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$1,174, the Gas Tax Fund by \$26,676, and the Cemetery Fund by \$5,818 for the year ended December 31, 2002. Also, contrary to Ohio law, 43% of expenditures in 2002 and 47% of expenditures in 2001 were entered into prior to the certification of available funds by the Clerk.

**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, 2002 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$31,544	5%

The general obligation note was issued to finance the purchase of a new truck to be used for Township road maintenance. The Township will repay the notes with revenues from the Gas Tax Fund.

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

**LEE TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT (Continued)**

	General Obligation Notes
Year ending December 31:	
2003	8,943
2004	8,652
2005	8,360
2006	8,068
Total	<u><u>\$34,023</u></u>

**6. RETIREMENT SYSTEMS**

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. PERS members 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, 2002.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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**Auditor of State  
Betty Montgomery**

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

Lee Township  
Carroll County  
4006 Peace Road  
Carrollton, Ohio 44615

To the Board of Trustees:

We have audited the accompanying financial statements of Lee Township (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 12, 2003. 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 *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 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 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 2002-41210-001 through 2002-41210-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 12, 2003.

**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. 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 12, 2003.

This report is intended solely 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 12, 2003

**LEE TOWNSHIP  
CARROLL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-41210-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - 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 Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Board.

Our test of disbursements indicated that 43% of expenditures tested in 2002 and 47% of expenditures tested in 2001 were committed prior to the certification of available funds by the Clerk. Neither exception listed above was followed, contrary to Ohio Rev. Code 5705.41 (D). This condition does not provide adequate accountability over the Township's disbursements. Disbursements may be incurred which either the Board or management has not authorized or which the Township cannot afford.

We recommend that all Township departments be advised that a purchase order with the certificate of the Township Clerk be obtained prior to making an order involving the expenditure of money. Any request for payment from a vendor without such purchase order should be reviewed by management before the payment is made.

**FINDING NUMBER 2002-41210-002**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41 (B)**, states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

For 2002, the Township had expenditures that exceeded appropriations in the following funds: General Fund, Gas Tax Fund and Cemetery Fund.

We recommend that Township officials implement policies to provide assurance that expenditures are properly appropriated as prescribed by Section 5705.41 (B).





**Auditor of State  
Betty Montgomery**

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**LEE TOWNSHIP**

**CARROLL 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 1, 2003**