



**Auditor of State  
Betty Montgomery**



**LEE TOWNSHIP  
MONROE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Lee Township  
Monroe County  
P.O. 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, 2003 and 2002. 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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 of Lee Township, Monroe County, as of December 31, 2003 and 2002, 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 July 26, 2004, 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.

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Lee Township  
Monroe 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 § 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

July 26, 2004

LEE TOWNSHIP  
MONROE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$20,396	\$16,813	\$	\$37,209
Intergovernmental	16,759	90,300	15,955	123,014
Licenses, Permits, and Fees		2,400		2,400
Earnings on Investments	167	34		201
Other Revenue	14,070	1,025		15,095
	<u>51,392</u>	<u>110,572</u>	<u>15,955</u>	<u>177,919</u>
Total Cash Receipts				
<b>Cash Disbursements:</b>				
Current:				
General Government	41,194	830		42,024
Public Safety		9,914		9,914
Public Works	1,557	79,459		81,016
Health		7,849		7,849
Debt Service:				
Redemption of Principal			11,686	11,686
Interest and Fiscal Charges			2,482	2,482
Capital Outlay	350			350
	<u>43,101</u>	<u>98,052</u>	<u>14,168</u>	<u>155,321</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>8,291</u>	<u>12,520</u>	<u>1,787</u>	<u>22,598</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		2,725		2,725
Transfers-Out	0	(2,725)	0	(2,725)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	8,291	12,520	1,787	22,598
Fund Cash Balances, January 1	8,941	27,067	9,180	45,188
<b>Fund Cash Balances, December 31</b>	<b><u>\$17,232</u></b>	<b><u>\$39,587</u></b>	<b><u>\$10,967</u></b>	<b><u>\$67,786</u></b>

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

LEE TOWNSHIP  
MONROE COUNTY

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

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$20,440	\$16,589	\$	\$	\$37,029
Intergovernmental	43,941	45,781	19,830	9,491	119,043
Licenses, Permits, and Fees		1,200			1,200
Earnings on Investments	190	22			212
Other Revenue	886	1,050			1,936
	<u>65,457</u>	<u>64,642</u>	<u>19,830</u>	<u>9,491</u>	<u>159,420</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	41,708				41,708
Public Safety		9,666			9,666
Public Works	27,783	47,149			74,932
Health		4,320			4,320
Debt Service:					
Redemption of Principal			37,689		37,689
Interest and Fiscal Charges			3,494		3,494
Capital Outlay		48,000		9,491	57,491
	<u>69,491</u>	<u>109,135</u>	<u>41,183</u>	<u>9,491</u>	<u>229,300</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(4,034)</u>	<u>(44,493)</u>	<u>(21,353)</u>	<u>0</u>	<u>(69,880)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Notes		35,000			35,000
Sale of Fixed Assets		13,000			13,000
Transfers-In			11,000		11,000
Transfers-Out	(11,000)				(11,000)
	<u>(11,000)</u>	<u>48,000</u>	<u>11,000</u>	<u>0</u>	<u>48,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(15,034)</u>	<u>3,507</u>	<u>(10,353)</u>	<u>0</u>	<u>(21,880)</u>
Fund Cash Balances, January 1	<u>23,975</u>	<u>23,560</u>	<u>19,533</u>	<u>0</u>	<u>67,068</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$8,941</u></b>	<b><u>\$27,067</u></b>	<b><u>\$9,180</u></b>	<b><u>\$0</u></b>	<b><u>\$45,188</u></b>

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



**LEE TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Sardis Volunteer Fire Department to provide fire protection 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. Fund Accounting**

The Township uses fund accounting to segregate cash that is 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 for constructing, maintaining and repairing Township roads.

**3. Debt Service Funds**

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township has the following significant Debt Service Funds:

**LEE TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**C. Fund Accounting (Continued)**

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

*Truck/Tractor Debt Service Fund* - This fund receives gasoline tax money for principal and interest payments related to Township debt.

*Grader Debt Service Fund* - This fund receives gasoline tax money for principal and interest payments related to Township debt.

*Paving Debt Service Fund* - This fund receives gasoline tax money for principal and interest payments related to Township 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 Projects Fund:

*Community Development Block Grant Fund* - The Township received a grant from the State of Ohio to replace sidewalks in Sardis.

**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.

A summary of 2003 and 2002 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  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	2003	2002
Demand deposits	\$67,786	\$45,188

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002, follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,435	\$51,392	(\$43)
Special Revenue	110,572	113,297	2,725
Debt Service	15,955	15,955	0
Total	\$177,962	\$180,644	\$2,682

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,292	\$43,101	\$4,191
Special Revenue	89,876	100,777	(10,901)
Debt Service	25,135	14,168	10,967
Total	\$162,303	\$158,046	\$4,257

**2002 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,146	\$65,457	\$10,311
Special Revenue	67,128	112,642	45,514
Debt Service	30,830	30,830	0
Capital Projects	9,500	9,491	(9)
Total	\$162,604	\$218,420	\$55,816

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

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,263	\$80,491	\$8,772
Special Revenue	83,365	109,135	(25,770)
Debt Service	44,788	41,183	3,605
Capital Projects	9,500	9,491	9
Total	\$226,916	\$240,300	(\$13,384)

**LEE TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority within function/objects of the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and the Federal Emergency Management Agency (FEMA) Fund for the year ended December 31, 2003 and budgetary expenditures exceeded appropriation authority within function/objects of the Gasoline Tax Fund for the year ended December 31, 2002.

Also, contrary to Ohio law, an amended certificate was not obtained for note proceeds and sale of fixed assets recorded in the Gasoline Tax Fund in the amount of \$48,000 for the year ended December 31, 2002.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2003, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$34,404	2.00%
Promissory Note	28,590	4.40%
Total	<u>\$62,994</u>	

The Ohio Public Works Commission (OPWC) loan was for a joint paving project between Lee Township and Malaga Township, Monroe County, in the amounts of \$44,778 and \$11,322, respectively. The Townships have recorded their respective loan proceeds within their respective financial statements, with Lee Township designated by the OPWC as the fiscal agent. As fiscal agent, Lee Township will make the required combined principal and interest payments to the OPWC, with Malaga Township paying its required debt service directly to Lee Township. Malaga Township's required payments are reflected within Lee Township's financial statements as intergovernmental revenue within the Debt Service Fund. The loans of both Townships are collateralized by gasoline tax receipts.

If Malaga Township defaults on a required payment on their portion of the OPWC loan, Lee Township assumes no liability for the default.

**LEE TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. DEBT (Continued)**

The promissory note was issued to finance the purchase of a grader to be used for Township road maintenance. The equipment serves as collateral for the note.

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

	Ohio Public Works Commission Loan - Lee Township Portion	Promissory Note
Year ending December 31:		
2004	\$4,963	\$7,951
2005	4,963	7,951
2006	4,963	7,951
2007	4,963	7,951
2008	4,963	
2009-2011	12,407	
Total	\$37,222	\$31,804

**6. RETIREMENT SYSTEMS**

Township employees, as well as the Clerk and Trustees, belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2003 and 2002, OPERS 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, 2003.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

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

**LEE TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for a 5% portion the Plan retains. With policies effective September 1, 2003 and after, The Plan pays the lesser of 5% or \$25,000 for casualty losses up to the coverage limit and the lesser of 5% or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<b>2003</b>	<b>2002</b>
Assets	\$5,402,167	\$5,584,592
Liabilities	<u>(1,871,123)</u>	<u>(2,441,793)</u>
Members' Equity	\$3,531,044	\$3,142,799

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

**8. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**Auditor of State  
Betty Montgomery**

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

Lee Township  
Monroe County  
P.O. 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, 2003 and 2002, and have issued our report thereon dated July 26, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted a certain immaterial instance of noncompliance that we have reported to the Township's management in a separate letter dated July 26, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting 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 another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the Township's management in a separate letter dated July 26, 2004.

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Lee Township  
Monroe County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 26, 2004



**LEE TOWNSHIP  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

The Township appropriated at the fund/function/object level. We noted the following instances where expenditures exceeded appropriations at the fund/function/object level as of December 31, 2003:

<u>Fund/Function/Object</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Motor Vehicle License Tax Fund:			
Public Works/Operating Supplies	\$4,935	\$7,660	(\$2,725)
Gasoline Tax Fund:			
Public Works/Operating Supplies	\$9,223	\$10,362	(\$1,139)
Federal Emergency Management Agency Fund:			
General Government/ Office Supplies	\$0	\$829	(\$829)
Public Works/ Other –Salaries	\$0	\$718	(\$718)
Public Works/ Operating Supplies	\$0	\$25,531	(\$25,531)
Transfers-Out	\$0	\$2,725	(\$2,725)

We noted the following instances where expenditures exceeded appropriations at the fund/function/object level as of December 31, 2002:

<u>Fund/Function/Object</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Gasoline Tax Fund:			
Public Works/Operating Supplies	\$1,575	\$6,308	(\$4,733)
Capital Outlay	\$0	\$48,000	(\$48,000)

The \$48,000 variance noted above in the Gasoline Tax Fund-Capital Outlay line item was due to an audit adjustment to accurately reflect the purchase of a grader.

**LEE TOWNSHIP  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-001  
(Continued)**

**Ohio Rev. Code Section 5705.41(B) (Continued)**

**Noncompliance Citation (Continued)**

We recommend the Board of Trustees and the Township Clerk compare expenditures to appropriations at the legal level of control, in this case at the fund/function/object level, on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations. After obtaining Trustee approval for appropriations, a certification should be obtained from the County Budget Commission that appropriations do not exceed the estimated resources. The Township Clerk and the Board of Trustees should not make any expenditure until appropriations are available.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduce amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

In 2002, the Township obtained a promissory note and traded in old equipment for the purchase of a grader. The Township did not obtain an increased amended certificate for the note proceeds or equipment trade-in which resulted in a violation of expenditures exceeding appropriations. (See Finding No. 2003-001) Also, the note proceeds and trade-in of old equipment should have been recorded to the receipt ledger and the expenditure for the grader should have been recorded to the appropriation ledger as capital outlay. The accompanying financial statements have been adjusted to reflect this activity.

We recommend the Board of Trustees obtain an increased amended certificate in the amount of the promissory note proceeds and the trade-in of old equipment in the future. We also recommend the Township Clerk develop internal control procedures to ensure that note proceeds, sale of fixed assets, and applicable expenditures are recorded on the Township's ledgers and financial statements.



**Auditor of State  
Betty Montgomery**

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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  
AUGUST 31, 2004**