



**LEWIS TOWNSHIP  
BROWN COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



**LEWIS TOWNSHIP  
BROWN COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

Lewis Township  
Brown County  
3025 Eden Road  
Hamersville, Ohio 45130

To the Board of Trustees:

We have audited the accompanying financial statements of Lewis Township, Brown 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 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 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 May 18, 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 our audit performed in accordance with the *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of 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.

**Jim Petro**  
Auditor of State

May 18, 2001

**LEWIS TOWNSHIP  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$21,947	\$55,161		\$77,108
Intergovernmental	76,101	67,279		143,380
Earnings on Investments	3,596	764	\$2,444	6,804
Other Revenue	200	1,650		1,850
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	101,844	124,854	2,444	229,142
<b>Cash Disbursements:</b>				
Current:				
General Government	23,897	22,306		46,203
Public Safety		37,978		37,978
Public Works	35,399	73,878		109,277
Health	11,141			11,141
Debt Service:				
Redemption of Principal	8,935			8,935
Interest and Fiscal Charges	2,486			2,486
Capital Outlay	25	1,277	1,698	3,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	81,883	135,439	1,698	219,020
Total Receipts Over/(Under) Disbursements	19,961	(10,585)	746	10,122
Fund Cash Balances, January 1	26,778	61,194	53,029	141,001
<b>Fund Cash Balances, December 31</b>	<b><u>\$46,739</u></b>	<b><u>\$50,609</u></b>	<b><u>\$53,775</u></b>	<b><u>\$151,123</u></b>
Reserve for Encumbrances, December 31	<u>\$5,350</u>	<u>\$1,128</u>	<u>\$0</u>	<u>\$6,478</u>

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

**LEWIS TOWNSHIP  
BROWN COUNTY**

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

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Nonexpendable Trust	
<b>Cash Receipts:</b>					
Local Taxes	\$22,319	\$53,752			\$76,071
Intergovernmental	53,577	76,665			130,242
Earnings on Investments	2,843	462		\$2,179	5,484
Other Revenue	222	1,400			1,622
Total Cash Receipts	<u>78,961</u>	<u>132,279</u>		<u>2,179</u>	<u>213,419</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	26,399	23,412			49,811
Public Safety		37,217			37,217
Public Works	24,547	65,998			90,545
Health	10,260	120			10,380
Debt Service:					
Redemption of Principal	8,242				8,242
Interest and Fiscal Charges	3,179				3,179
Capital Outlay		1,823	\$5,317	555	7,695
Total Cash Disbursements	<u>72,627</u>	<u>128,570</u>	<u>5,317</u>	<u>555</u>	<u>207,069</u>
Total Receipts Over/(Under) Disbursements	<u>6,334</u>	<u>3,709</u>	<u>(5,317)</u>	<u>1,624</u>	<u>6,350</u>
Fund Cash Balances, January 1 Restated (Note 8)	<u>20,444</u>	<u>57,485</u>	<u>5,317</u>	<u>51,405</u>	<u>134,651</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$26,778</u></b>	<b><u>\$61,194</u></b>	<b><u>\$0</u></b>	<b><u>\$53,029</u></b>	<b><u>\$141,001</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$1,453</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,453</u>

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



**LEWIS TOWNSHIP  
BROWN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Lewis Township, Brown 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 Village of Higginsport and Clark Township 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 Deposits**

The Township maintains funds in an interest-bearing checking account and certificates of deposit. Deposits are valued at cost.

**D. 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:

Permissive Motor Vehicle License Tax Fund - This fund receives license tax money for maintaining and repairing Township roads.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**LEWIS TOWNSHIP  
BROWN COUNTY**

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

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

Fire Levy Fund - This fund receives property tax money for fire contracts.

Motor Vehicle License Tax Fund - Receives motor vehicle tax money for constructing, maintaining and repairing Township roads.

**3. 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:

Federal Emergency Management Agency (FEMA) Fund - This fund receives federal money for the emergency repair of Township roads and bridges.

**4. Fiduciary Fund (Nonexpendable Trust Fund)**

Trust Funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Township had the following significant Fiduciary Fund:

Cemetery Bequest Fund - This Fund was established as a result of a bequest of money restricted for the maintenance of the Township's Cemetery. The principal balance of the fund is to be maintained in-tact with the interest proceeds to be used for cemetery maintenance.

**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.

The Township certified incorrect amounts available for expenditures in each fund to the County Auditor for January 1, 2000 and 2001.

**LEWIS TOWNSHIP  
BROWN COUNTY**

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

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

**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 certain commitments required by Ohio law. However, a review was performed to determine the amount of additional encumbrances outstanding at year end which were not recorded. These additional encumbrances were added to the financial statements as reserves.

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.

**2. EQUITY IN POOLED CASH**

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

	<u>2000</u>	<u>1999</u>
Demand Deposits	\$104,463	\$ 94,341
Certificates of Deposit	<u>46,660</u>	<u>46,660</u>
Total Deposits	<u><u>\$151,123</u></u>	<u><u>\$141,001</u></u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township.

**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	\$101,388	\$101,844	\$456
Special Revenue	126,552	124,854	(1,698)
Fiduciary	<u>2,200</u>	<u>2,444</u>	<u>244</u>
Total	<u><u>\$230,140</u></u>	<u><u>\$229,142</u></u>	<u><u>(\$998)</u></u>

**LEWIS TOWNSHIP  
BROWN COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,088	\$87,233	\$32,855
Special Revenue	187,341	136,567	50,774
Fiduciary	8,568	1,698	6,870
Total	<u>\$315,997</u>	<u>\$225,498</u>	<u>\$90,499</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,762	\$78,961	(\$801)
Special Revenue	120,895	132,279	11,384
Fiduciary	2,264	2,179	(85)
Total	<u>\$202,921</u>	<u>\$213,419</u>	<u>\$10,498</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,206	\$72,627	\$27,579
Special Revenue	178,380	130,023	48,357
Capital Projects	5,317	5,317	0
Fiduciary	7,010	555	6,455
Total	<u>\$290,913</u>	<u>\$208,522</u>	<u>\$82,391</u>

**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.

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.

**LEWIS TOWNSHIP  
BROWN COUNTY**

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

**5. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Dump Truck Acquisition Loan	\$20,228	8.5%

The Dump Truck Acquisition Loan was issued in 1997 for the purchase of a new dump truck. The loan is to be financed from the General Fund over a five year period.

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

<u>Year Ending December 31:</u>	<u>Dump Truck Acquisition Loan</u>
2001	\$11,421
2002	<u>11,421</u>
Total	<u><u>\$22,842</u></u>

**6. RETIREMENT SYSTEMS**

Township Officials and 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 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 in 1999 and an amount equal to 10.84% in 2000. The Township has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Township is a member of the Ohio Township Association Risk Management Authority, (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:

- Property
- Comprehensive General Liability
- Public Official's Liability
- Automobile Liability
- Automobile Property Damage

LEWIS TOWNSHIP  
BROWN COUNTY

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

8. RESTATEMENT OF BEGINNING BALANCES

	<u>General Fund</u>	Nonexpendable <u>Trust Fund</u>
Ending Balance December 31, 1998	\$25,189	\$46,660
Restatement	<u>(4,745)</u>	<u>4,745</u>
Restated Balance January 1, 1999	<u>\$20,444</u>	<u>\$51,405</u>

The restated balance January 1, 1999, reflects the requirement per Ohio Rev. Code, Section 5705.131, effective July 22, 1998, that interest earned on nonexpendable trust funds be credited to the nonexpendable trust fund to which the principal belongs. Interest that previously had been credited to the General Fund was adjusted to the credit of nonexpendable trust fund per the above requirement.



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

Lewis Township  
Brown County  
3025 Eden Road  
Hamersville, Ohio 45130

To the Board of Trustees:

We have audited the accompanying financial statements of Lewis Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 18, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-40408-001. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 18, 2001.

### 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 judgement, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-40408-001.

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 are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We also noted 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 18, 2001.

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

May 18, 2001



**LEWIS TOWNSHIP  
BROWN 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 2000-40408-001**

**Material Noncompliance / Reportable Condition**

Ohio Rev. 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. Every such contract made without such a certificate shall be null and void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exception 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 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 Trustees 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.
2. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Township Trustees, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for all commitments at December 31, 2000 for the following funds: General Fund \$5,450, Motor Vehicle License Fund \$938, and Gas Tax \$190 and at December 31, 1999 for the following funds: Motor Vehicle License \$754 and Gas Tax \$699. The financial statements were adjusted to reflect these amounts as reserve for encumbrances. Additionally, prior certification was not obtained for 10% of the vouchers reviewed, and neither of the two exceptions provided above were utilized. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Township obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making a commitment.

Furthermore, Ohio Rev. Code, Section 5705.36, requires the fiscal officer to certify to the County Auditor on or about January 1, the amount available for expenditures in each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. Due to not certifying all year end commitments, incorrect amounts were certified to the County Auditor for January 1, 2000 and 2001.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**LEWIS TOWNSHIP**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 7, 2001**