



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

LEE TOWNSHIP
MONROE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Prior Audit Findings	13

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REPORT OF INDEPENDENT ACCOUNTANTS

Lee Township
Belmont 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, 2001 and 2000. 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 Lee Township, Belmont County, as of December 31, 2001 and 2000, 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, 2002, 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 management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Jim Petro
Auditor of State

April 10, 2002

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**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, 2001**

	<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>	
Cash Receipts:					
Local Taxes	\$17,716	\$14,656	\$	\$	\$32,372
Intergovernmental	26,949	39,849	32,500	9,440	108,738
Licenses, Permits, and Fees		2,700			2,700
Earnings on Investments	929	263			1,192
Other Revenue	1,233	3,242	741		5,216
Total Cash Receipts	<u>46,827</u>	<u>60,710</u>	<u>33,241</u>	<u>9,440</u>	<u>150,218</u>
Cash Disbursements:					
Current:					
General Government	42,064				42,064
Public Safety		9,697			9,697
Public Works	677	73,777			74,454
Health		6,409			6,409
Debt Service:					
Redemption of Principal			17,202		17,202
Interest and Fiscal Charges			4,517		4,517
Capital Outlay				9,840	9,840
Total Cash Disbursements	<u>42,741</u>	<u>89,883</u>	<u>21,719</u>	<u>9,840</u>	<u>164,183</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>4,086</u>	<u>(29,173)</u>	<u>11,522</u>	<u>(400)</u>	<u>(13,965)</u>
Fund Cash Balances, January 1	<u>19,888</u>	<u>52,732</u>	<u>8,012</u>	<u>400</u>	<u>81,032</u>
Fund Cash Balances, December 31	<u><u>\$23,974</u></u>	<u><u>\$23,559</u></u>	<u><u>\$19,534</u></u>	<u><u>\$0</u></u>	<u><u>\$67,067</u></u>

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, 2000**

	<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>	
Cash Receipts:					
Local Taxes	\$17,117	\$12,388	\$	\$	\$29,505
Intergovernmental	6,318	45,837	18,000	87,799	157,954
Licenses, Permits, and Fees		3,200			3,200
Earnings on Investments	1,805	895			2,700
Other Revenue	106	1,288			1,394
	<u>25,346</u>	<u>63,608</u>	<u>18,000</u>	<u>87,799</u>	<u>194,753</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	36,046				36,046
Public Safety		7,195			7,195
Public Works	3,246	76,995			80,241
Health		8,074			8,074
Debt Service:					
Redemption of Principal			9,361		9,361
Interest and Fiscal Charges			2,372		2,372
Capital Outlay				133,267	133,267
	<u>39,292</u>	<u>92,264</u>	<u>11,733</u>	<u>133,267</u>	<u>276,556</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(13,946)</u>	<u>(28,656)</u>	<u>6,267</u>	<u>(45,468)</u>	<u>(81,803)</u>
Other Financing Receipts and (Disbursements):					
Proceeds of Loan				44,778	44,778
Advances-In	2,500		2,500		5,000
Advances-Out	(2,500)		(2,500)		(5,000)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,778</u>	<u>44,778</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(13,946)</u>	<u>(28,656)</u>	<u>6,267</u>	<u>(690)</u>	<u>(37,025)</u>
Fund Cash Balances, January 1	<u>33,834</u>	<u>81,388</u>	<u>1,745</u>	<u>1,090</u>	<u>118,057</u>
Fund Cash Balances, December 31	<u><u>\$19,888</u></u>	<u><u>\$52,732</u></u>	<u><u>\$8,012</u></u>	<u><u>\$400</u></u>	<u><u>\$81,032</u></u>

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

**LEE TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

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 and fire protection. The Township contracts with the Sardis Volunteer Fire Department to provide fire services.

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

B. Basis of Accounting

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money to construct, maintain and repair Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair 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 had the following significant Debt Service Funds:

Truck/Tractor Debt Service Fund - This fund receives gas tax money to pay principal and interest on outstanding debt.

**LEE TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Funds (Continued)

Paving Debt Service Fund - This fund receives gasoline tax money to pay principal and interest on outstanding debt.

4. Capital Projects 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 Funds:

Community Development Block Grant Fund - This fund receives on-behalf services from the Monroe County Ohio State University Extension for the Sardis Sidewalk Replacement project.

Street Paving Fund - This fund receives Ohio Public Works Commission intergovernmental revenues and loan proceeds for the paving of Township streets.

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 2001 and 2000 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, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH

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

	2001	2000
Demand deposits	\$67,067	\$81,032

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000, follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,828	\$46,827	(\$1)
Special Revenue	65,714	60,710	(5,004)
Debt Service	33,241	33,241	0
Capital Projects	9,440	9,440	0
Total	\$155,223	\$150,218	(\$5,005)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$66,716	\$42,741	\$23,975
Special Revenue	118,446	89,883	28,563
Debt Service	41,252	21,719	19,533
Capital Projects	9,840	9,840	0
Total	\$236,254	\$164,183	\$72,071

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,419	\$25,346	(\$3,073)
Special Revenue	70,675	63,608	(7,067)
Debt Service	18,000	18,000	0
Capital Projects	132,577	132,577	0
Total	\$249,671	\$239,531	(\$10,140)

**LEE TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,252	\$39,292	\$22,960
Special Revenue	152,063	92,264	59,799
Debt Service	19,745	11,733	8,012
Capital Projects	133,667	133,667	0
Total	\$367,727	\$276,956	\$90,771

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.

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, 2001, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$42,744	2%
Lease to Purchase Agreement	33,221	5%
Total	\$75,965	

The lease to purchase agreement, entered into by the Township on November 17, 1999, was issued to purchase a new tractor with mower and will be used for Township road maintenance with annual payments of \$9,243. The lease to purchase agreement has a clause that allows the lessee to purchase the equipment by giving the lessor 30 written days notice of their intent to purchase, using the purchase option price. The equipment serves as collateral for the lease to purchase agreement.

The Ohio Public Works Commission (OPWC) loan was entered into for a joint paving project between Lee Township and Malaga Township, Monroe County, in the amounts of \$44,778 and \$11,322, respectively. The Township's 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's required payments paid directly to Lee Township. Malaga Township's required payments are reflected within Lee Township's financial statements as other revenue within the Debt Service Fund. The loans of both Township's are collateralized by gasoline tax receipts.

**LEE TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

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 paid the debt service principal and interest due January 2002 in December 2001 for the Ohio Public Works Commission loan only.

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

	Ohio Public Works Commission Loan-Lee Township portion	Lease to Purchase Agreement
Year ending December 31:		
2002	\$2,481	\$9,423
2003	4,962	9,423
2004	4,962	9,423
2005	4,962	9,423
2006	4,962	
2007 - 2011	24,810	
Total	\$47,139	\$37,692

6. RETIREMENT SYSTEMS

The Township's elected 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 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 for January 1 through June 30, 2000, and for 2001. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed 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, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS 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 financial statements of Lee Township, Monroe County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 10, 2002. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 10, 2002.

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 April 10, 2002.

Lee Township
Monroe County
Report of Independent Accountants 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

April 10, 2002

**LEE TOWNSHIP
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-41056-001	Township did not properly encumber expenditures contrary to Ohio Rev. Code Section 5705.41(D)	Partially Corrected	We reported this finding in the management letter.
1999-41056-002	The Township had expenditures plus encumbrances which exceeded appropriations contrary to Ohio Rev. Code Section 5705.38	Yes	Not Applicable



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
MAY 28, 2002**