



**FRANKLIN TOWNSHIP
BROWN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

FRANKLIN TOWNSHIP
BROWN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Franklin Township
Brown County
6633 Van Buren Street
Georgetown, Ohio 45121

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin 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 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 4, 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 4, 2001

**FRANKLIN TOWNSHIP
BROWN 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**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$29,777	\$12,571	\$42,348
Intergovernmental	46,835	59,138	105,973
Earnings on Investments	5,516	1,788	7,304
Other Revenue	37		37
Total Cash Receipts	82,165	73,497	155,662
Cash Disbursements:			
Current:			
General Government	39,906		39,906
Public Safety		15,984	15,984
Public Works		112,971	112,971
Health	6,254		6,254
Capital Outlay	64		64
Total Cash Disbursements	46,224	128,955	175,179
Total Receipts Over/(Under) Disbursements	35,941	(55,458)	(19,517)
Other Financing Receipts/(Disbursements):			
Transfers-In		62,000	62,000
Transfers-Out	(62,000)		(62,000)
Total Other Financing Receipts/(Disbursements)	(62,000)	62,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,059)	6,542	(19,517)
Fund Cash Balances, January 1	103,624	35,898	139,522
Fund Cash Balances, December 31	\$77,565	\$42,440	\$120,005

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

**FRANKLIN TOWNSHIP
BROWN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$28,464	\$12,024	\$40,488
Intergovernmental	44,167	63,188	107,355
Earnings on Investments	<u>2,374</u>	<u>530</u>	<u>2,904</u>
Total Cash Receipts	<u>75,005</u>	<u>75,742</u>	<u>150,747</u>
Cash Disbursements:			
Current:			
General Government	41,282		41,282
Public Safety		15,946	15,946
Public Works		79,694	79,694
Health	<u>5,032</u>		<u>5,032</u>
Total Cash Disbursements	<u>46,314</u>	<u>95,640</u>	<u>141,954</u>
Total Receipts Over/(Under) Disbursements	<u>28,691</u>	<u>(19,898)</u>	<u>8,793</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		25,000	25,000
Transfers-Out	(25,000)		(25,000)
Other Financing Sources	52	2,939	2,991
Other Financing Uses		<u>(2,939)</u>	<u>(2,939)</u>
Total Other Financing Receipts/(Disbursements)	<u>(24,948)</u>	<u>25,000</u>	<u>52</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,743	5,102	8,845
Fund Cash Balances, January 1	<u>99,881</u>	<u>30,796</u>	<u>130,677</u>
Fund Cash Balances, December 31	<u>\$103,624</u>	<u>\$35,898</u>	<u>\$139,522</u>

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

**FRANKLIN TOWNSHIP
BROWN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Franklin Township, Brown 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 general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Villages of Georgetown, Russellville, and Sardinia to provide fire services and ambulance 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

Township funds are deposited in a "Super Now" checking account with a local commercial bank. The Township pools its cash to capture the highest rate of return. Interest earnings are distributed to Township funds based upon the Ohio Constitution.

D. Fund Accounting

The Township uses fund accounting to segregate cash deposits 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 Fund:

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

**FRANKLIN TOWNSHIP
BROWN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. No encumbrances were reported as of December 31, 1999 or 2000.

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 DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Demand deposit	<u>\$120,005</u>	<u>\$139,522</u>

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

**FRANKLIN TOWNSHIP
BROWN COUNTY**

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

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	\$76,900	\$82,165	\$5,265
Special Revenue	71,803	135,497	63,694
Total	\$148,703	\$217,662	\$68,959

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$180,524	\$ 108,224	\$72,300
Special Revenue	107,701	128,955	(21,254)
Total	\$288,225	\$237,179	\$51,046

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,196	\$75,057	\$11,861
Special Revenue	37,987	103,681	65,694
Total	\$101,183	\$178,738	\$77,555

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$163,079	\$71,314	\$91,765
Special Revenue	68,783	98,579	(29,796)
Total	\$231,862	\$169,893	\$61,969

The Township had expenditures exceeding appropriations in the Gas Tax Fund by \$20,982 and \$27,707 for fiscal years 2000 and 1999.

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

**FRANKLIN TOWNSHIP
BROWN COUNTY**

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

4. PROPERTY TAX (Continued)

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. RETIREMENT SYSTEMS

The Township's officials 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. 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.

6. 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:

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

The Township also provides health insurance to officials through a private carrier.

7. COMPLIANCE

The Township paid for maintenance and repair of Township roads in amounts which exceeded \$15,000 without competitive bidding, which is contrary to Ohio law.



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

Franklin Township
Brown County
6633 Van Buren Street
Georgetown, Ohio 45121

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin 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 4, 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 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 2000-40408-001 and 2000-40408-002. We also noted an immaterial instance of noncompliance that we have reported to the management of the Township in a separate letter dated May 4, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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 financials 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 other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the Township in a separate letter dated May 4, 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 4, 2001

**FRANKLIN TOWNSHIP
BROWN COUNTY**

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

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

FINDING NUMBER 2000-40408-001

Material Noncompliance/Reportable Condition - Expenditures Exceeding Appropriations

Ohio Revised Code, § 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures exceeding appropriations in the Gas Tax Fund by \$20,982 and \$27,707 for fiscal years 2000 and 1999. Not appropriating funds prior to expenditure could create negative fund balances. We recommend the Township Trustees appropriate all funds prior to disbursing them.

FINDING NUMBER 2000-40408-002

Material Noncompliance - Bidding

Ohio Rev. Code, § 5575.01, requires that contracts for maintenance or repair of Township roads be let by competitive bidding when the amount of the repair or maintenance exceeds \$15,000.

During 2000, the Township paid \$48,431 to Brown County Asphalt and during 1999 the Township paid \$125,602 to Brown County Asphalt, for maintenance and repair of Township roads. These amounts exceeded the \$15,000 Township required bid limit and the Township failed to advertise these road projects for the lowest and best competitive bidding, before approving a contractor to perform the work.

We recommend the Township follow competitive bidding procedures on all road maintenance and repair projects which exceed \$15,000.



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FRANKLIN 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
MAY 24, 2001**