



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

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Sterling Township  
Brown County  
1268 Leebe Drive  
Williamsburg, Ohio 45176

To the Board of Trustees:

We have audited the accompanying financial statement of Sterling Township, Brown County, Ohio (the Township), as of and for the year ended December 31, 1999. This financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement 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 statement referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Sterling Township, Brown County, as of December 31, 1999, and its combined cash receipts and disbursements for the year 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, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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.

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

**Jim Petro**  
Auditor of State

April 10, 2000



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

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$23,797	\$87,273	\$0	\$0	\$111,070
Intergovernmental	77,562	63,695	75,607	0	216,864
Licenses, Permits, and Fees	0	1,500	0	0	1,500
Earnings on Investments	2,625	992	0	111	3,728
Other Revenue	3,571	2,100	0	0	5,671
 Total Cash Receipts	<u>107,555</u>	<u>155,560</u>	<u>75,607</u>	<u>111</u>	<u>338,833</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	49,081	2,839	0	0	51,920
Public Safety	0	38,000	0	0	38,000
Public Works	34,409	138,737	75,607	0	248,753
Health	13,182	1,607	0	0	14,789
Capital Outlay	8,444	0	0	0	8,444
 Total Cash Disbursements	<u>105,116</u>	<u>181,183</u>	<u>75,607</u>	<u>0</u>	<u>361,906</u>
 Total Receipts Over/(Under) Disbursements	<u>2,439</u>	<u>(25,623)</u>	<u>0</u>	<u>111</u>	<u>(23,073)</u>
 Fund Cash Balances, January 1	<u>57,905</u>	<u>55,333</u>	<u>0</u>	<u>4,712</u>	<u>117,950</u>
 <b>Fund Cash Balances, December 31</b>	<u><b>\$60,344</b></u>	<u><b>\$29,710</b></u>	<u><b>\$0</b></u>	<u><b>\$4,823</b></u>	<u><b>\$94,877</b></u>
 Reserve for Encumbrances, December 31	<u>\$6,240</u>	<u>\$945</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,185</u>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Sterling 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. The Township contracts with the Village of Mt. Orab and Williamsburg Township for fire services and emergency medical services.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

**B. Basis of Accounting**

This financial statement follows 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).

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash**

The Township deposits funds into an interest bearing checking account.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

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

*Fire Levy* - This fund receives proceeds from property taxes for providing fire and emergency medical services to the Township.

*Special Road & Bridge* - This fund receives proceeds from property taxes for constructing, maintaining and repairing Township roads.

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

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

**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:

*Issue II Fund* - This fund received money from the state to the maintenance and repair of township roads.

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

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

*Mary L. Edwards Bequest* - This fund receives interest for the care and maintenance of the cemetery.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

**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, these encumbrances have been included for financial statements.

A summary of 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.

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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:

**1999**

Demand deposits **\$94,877**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,000	\$107,555	\$32,555
Special Revenue	149,600	155,560	5,960
Capital Projects	0	75,607	75,607
Fiduciary	212	111	(101)
Total	\$224,812	\$338,833	\$114,021

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,400	\$111,356	\$6,044
Special Revenue	191,850	182,128	9,722
Capital Projects	0	75,607	(75,607)
Fiduciary	0	0	0
Total	\$309,250	\$369,091	(\$59,841)

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in the Issue 2 Fund by \$75,607 in 1999. Issue 2 expenditures reflected in the Capital Projects Fund were not included in the annual budget.

**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.

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

**4. PROPERTY TAX (Continued)**

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 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 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**6. RISK MANAGEMENT**

The Township is a member of the Ohio Municipal League Joint Self Insurance Pool (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:

- General liability and casualty
- Public official's liability
- Vehicle



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

Sterling Township  
Brown County  
1268 Leebe Drive  
Williamsburg, Ohio 45176

To the Board of Trustees:

We have audited the accompanying financial statements of Sterling Township, Brown County, Ohio (the Township), as of and for the year ended December 31, 1999, and have issued our report thereon dated April 10, 2000. 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 statement is 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 1999-40408-001 and 1999-40408-002. We also noted an immaterial instance of noncompliance that we have reported to the management of the Township in a separate letter dated April 10, 2000.

**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 statement 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 statement 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 to the Township in a separate letter dated April 10, 2000.

Sterling Township  
Brown County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

April 10, 2000

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-40408-001**

**Noncompliance Citation - Bidding**

Ohio Rev. Code, Section 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.

In 1999, the Township paid Brown County Asphalt \$133,012 for maintenance and repair of Township roads in amounts which exceeded the \$15,000 limit without competitive bidding.

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

**FINDING NUMBER 1999-40408-002**

**Noncompliance Citation - Issue 2 Monies**

Ohio Rev. Code, Section 5705.09, requires the Township to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditures and anticipated expenditures should be included in the Township appropriations.

During 1999, the Township participated in the Ohio Public Works Commission's Issue 2 Funding Program. Under this program, the State made payments of "Issue 2" monies to contractors on behalf of the Township. The Township did not formally establish the required fund to account for these monies and did not include these monies within its annual budget. Guidelines on the accounting treatment for these types of transactions is set forth in MAS Bulletin 89-17. The financial statements reflect an adjustment to include Issue 2 money.

Additionally, Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The financial statements reflect an adjustment to include Issue 2 receipts and expenditures, however, the Township did not include these monies within its annual budget, which resulted in expenditures exceeding appropriations in the Issue 2 fund by \$75,607.

We recommend the Township formally establish an Issue 2 fund and record all future Issue 2 payments to contractors on behalf of the Township in this fund. The Township should also include all Issue 2 monies in its annual budget and continue to monitor the budgetary activity obtaining any necessary amendments.







**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

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**STERLING 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 16, 2000**