



**FRANKLIN TOWNSHIP
CLERMONT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FRANKLIN TOWNSHIP
CLERMONT COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Franklin Township
Clermont County
3432 Love Road
Felicity, Ohio 45120

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Clermont 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 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 the audit committee, 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

**FRANKLIN TOWNSHIP
CLERMONT COUNTY**

**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, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$24,230	\$166,535		\$190,765
Intergovernmental	68,511	113,984		182,495
Licenses, Permits, and Fees	9,100	4,123		13,223
Fines, Forfeitures, and Penalties	1,513			1,513
Earnings on Investments	5,374	2,779	1,057	9,210
Other Revenue	14,821	9,224		24,045
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	123,549	296,645	1,057	421,251
Cash Disbursements:				
Current:				
General Government	82,870	6,745		89,615
Public Safety	12,000	165,255		177,255
Public Works	17,744	82,789		100,533
Health	10,147	1,120		11,267
Debt Service:				
Redemption of Principal		6,963		6,963
Interest and Fiscal Charges		1,794		1,794
Capital Outlay	1,300	123,900		125,200
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	124,061	388,566	0	512,627
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(512)	(91,921)	1,057	(91,376)
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Loan Proceeds		80,000		80,000
Sale of Fixed Assets		5,000		5,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	85,000	0	85,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(512)	(6,921)	1,057	(6,376)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	82,215	236,776	15,958	334,949
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$81,703	\$229,855	\$17,015	\$328,573
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$1,075	\$10,258	\$0	\$11,333

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

**FRANKLIN TOWNSHIP
CLERMONT COUNTY**

**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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$20,980	\$160,106		\$181,086
Intergovernmental	67,199	88,754		155,953
Licenses, Permits, and Fees	5,950	5,305		11,255
Earnings on Investments	5,025	2,748	714	8,487
Other Revenue	6,714	6,860	5,283	18,857
	<u>105,868</u>	<u>263,773</u>	<u>5,997</u>	<u>375,638</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	84,790	255		85,045
Public Safety		123,976		123,976
Public Works	11,905	63,383		75,288
Health	8,355	1,449		9,804
Debt Service:				
Redemption of Principal		12,704		12,704
Interest and Fiscal Charges		2,490		2,490
Capital Outlay	150	3,156		3,306
	<u>105,200</u>	<u>207,413</u>	<u>0</u>	<u>312,613</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>668</u>	<u>56,360</u>	<u>5,997</u>	<u>63,025</u>
Fund Cash Balances, January 1	<u>81,547</u>	<u>180,416</u>	<u>9,961</u>	<u>271,924</u>
Fund Cash Balances, December 31	<u>\$82,215</u>	<u>\$236,776</u>	<u>\$15,958</u>	<u>\$334,949</u>
Reserve for Encumbrances, December 31	<u>\$1,075</u>	<u>\$39,100</u>	<u>\$0</u>	<u>\$40,175</u>

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

**FRANKLIN TOWNSHIP
CLERMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Franklin Township, Clermont 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, and emergency medical services. The Township contracts with the Felicity-Franklin Fire District 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 and Deposits

The Township pools their funds, which are deposited at a local bank.

D. Fund Accounting

The Township uses fund accounting to segregate cash and 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 Funds:

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

Fire District Fund - This fund receives taxes and intergovernmental receipts for the payment of the fire contract with the Felicity-Franklin Fire District.

Life Squad Fund - This fund receives taxes and intergovernmental receipts to pay for Emergency Medical Technician services.

**FRANKLIN TOWNSHIP
CLERMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund - This nonexpendable trust fund receives donations to provide upkeep of cemetery plots.

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.

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 AND DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$328,573</u>	<u>\$334,949</u>

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

**FRANKLIN TOWNSHIP
CLERMONT 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	\$108,433	\$123,549	\$15,116
Special Revenue	356,504	381,645	25,141
Fiduciary	212	1,057	845
Total	\$465,149	\$506,251	\$41,102

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$190,649	\$125,136	\$65,513
Special Revenue	593,281	398,824	194,457
Fiduciary	16,077	0	16,077
Total	\$800,007	\$523,960	\$276,047

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,070	\$105,868	\$14,798
Special Revenue	281,904	263,773	(18,131)
Fiduciary	113	5,997	5,884
Total	\$373,087	\$375,638	\$2,551

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$172,617	\$106,275	\$66,342
Special Revenue	462,320	246,512	215,808
Fiduciary	10,074	0	10,074
Total	\$645,011	\$352,787	\$292,224

The Township did not formally establish a COPS fund which is contrary to Ohio law. The financial statements have been adjusted to reflect this activity.

**FRANKLIN TOWNSHIP
CLERMONT COUNTY**

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

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, billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ambulance Loan	\$50,000	5.00%
Dump Truck Loan	30,000	5.00%
Backhoe Lease	23,451	5.90%
Total	\$103,451	

The Township used the Ambulance Loan to finance the purchase of a new ambulance for emergency medical services. The Dump Truck loan to finance the purchase of a new dump truck for Township road maintenance. In 1998, the Township entered into a five-year lease agreement with Southeast Equipment Co. Inc., for a backhoe for the maintenance of Township roads.

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

Year ending December 31:	Ambulance Loan	Dump Truck Loan	Backhoe Lease
2001	\$11,549	\$6,930	\$8,757
2002	11,549	6,930	8,757
2003	11,549	6,930	8,757
2004	11,549	6,930	0
2005	11,550	6,928	0
Subsequent	0	0	0
Total	\$57,746	\$34,648	\$26,271

**FRANKLIN TOWNSHIP
CLERMONT COUNTY**

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

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The 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 2000 and 1999, members of PERS contributed 8.5% of their gross salaries. For 1999, the Township contributed an amount equal to 13.55% of participants' gross salaries. PERS reduced the employer rate during 2000. For 2000, the Township contributed an amount equal to 10.84% of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

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 judgements, settlements and other expenses resulting from covered claims that exceed the member's deductible.

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.

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

Franklin Township
Clermont County
3432 Love Road
Felicity, Ohio 45120

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Clermont 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 2000-40413-001. We noted certain immaterial instances 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 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 18, 2001.

Franklin Township
Clermont County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of the audit committee, 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

**FRANKLIN TOWNSHIP
CLERMONT 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 2000-40413-001

Noncompliance Citation

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 require 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 and 2000, the Township participated in a Federal COPS Universal Hiring Program Grant. Under this program, the Clermont County Sheriff's Office provided policing services to the Township and was reimbursed by the COPS Universal Hiring Program Grant State on behalf of the Township. The Township did not formally establish the required fund to account for these monies and did not record the receipts and disbursements or include these monies within its annual budget. The financial statements reflect an adjustment to include this grant activity.

We recommend the Township formally establish a COPS Universal Hiring Program Grant fund and record all future federal COPS grant reimbursements to the County Sheriff's Office on behalf of the Township in this fund. The Township should also include all COPS grant monies in its annual budget and continue to monitor the budgetary activity obtaining any necessary amendments. Additional guidance on the accounting treatment for these types of transactions is set forth in Auditor of State Bulletin 2000-08.



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FRANKLIN TOWNSHIP

CLERMONT 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
JULY 3, 2001**