



**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001-2000**



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

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**STATE OF OHIO**



FRANKLIN TOWNSHIP  
MERCER COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Franklin Township  
Mercer County  
7721 State Route 219  
Celina, OH 45822

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Mercer County (the Township), as of and for the years ended December 31, 2001 and December 31, 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 accounting principles generally accepted in the United States of America.

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, 2001 and December 31, 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 March 26, 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 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

March 26, 2002

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**FRANKLIN TOWNSHIP  
MERCER 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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$23,233	\$139,095	\$36,395	\$198,723
Intergovernmental	88,530	86,231	145,983	320,744
Charges for Services	20,482			20,482
Licenses, Permits, and Fees	8,944	4,520		13,464
Earnings on Investments	6,786	424		7,210
Other Revenue	5,834	1,541		7,375
	<u>153,809</u>	<u>231,811</u>	<u>182,378</u>	<u>567,998</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	104,966	4,684		109,650
Public Safety	4,707	57,166	855	62,728
Public Works	10,348	144,821		155,169
Health	9,280			9,280
Debt Service:				
Redemption of Principal		110,000	34,000	144,000
Interest and Fiscal Charges		5,529		5,529
Capital Outlay		263	262,484	262,747
	<u>129,301</u>	<u>322,463</u>	<u>297,339</u>	<u>749,103</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>24,508</u>	<u>(90,652)</u>	<u>(114,961)</u>	<u>(181,105)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes		90,000		90,000
Transfers-In			20,366	20,366
Advances-In		30,000	180,233	210,233
Transfers-Out	(20,366)			(20,366)
Advances-Out	(82,233)	(30,000)	(98,000)	(210,233)
Other Sources		12,631		12,631
	<u>(102,599)</u>	<u>102,631</u>	<u>102,599</u>	<u>102,631</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(78,091)	11,979	(12,362)	(78,474)
Fund Cash Balances, January 1	<u>93,205</u>	<u>85,355</u>	<u>34,304</u>	<u>212,864</u>
<b>Fund Cash Balances, December 31</b>	<u>\$15,114</u>	<u>\$97,334</u>	<u>\$21,942</u>	<u>\$134,390</u>

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

**FRANKLIN TOWNSHIP  
MERCER 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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$21,428	\$127,586	\$33,630	\$182,644
Intergovernmental	82,274	88,461	3,865	174,600
Charges for Services	25,891			25,891
Licenses, Permits, and Fees	8,281	4,633		12,914
Earnings on Investments	12,459	2,537		14,996
Other Revenue	448	566		1,014
	<u>150,781</u>	<u>223,783</u>	<u>37,495</u>	<u>412,059</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	92,147	7,000		99,147
Public Safety		52,124	493	52,617
Public Works	17,090	150,797		167,887
Health	12,872			12,872
Debt Service:				
Redemption of Principal		80,000	34,000	114,000
Interest and Fiscal Charges		3,839		3,839
Capital Outlay		48,373	204,861	253,234
	<u>122,109</u>	<u>342,133</u>	<u>239,354</u>	<u>703,596</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>28,672</u>	<u>(118,350)</u>	<u>(201,859)</u>	<u>(291,537)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes		110,000	170,000	280,000
Transfers-In		2,500		2,500
Transfers-Out	(2,500)			(2,500)
	<u>(2,500)</u>	<u>112,500</u>	<u>170,000</u>	<u>280,000</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	26,172	(5,850)	(31,859)	(11,537)
Fund Cash Balances, January 1	<u>67,033</u>	<u>91,205</u>	<u>66,163</u>	<u>224,401</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$93,205</u></u>	<u><u>\$85,355</u></u>	<u><u>\$34,304</u></u>	<u><u>\$212,864</u></u>

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



**FRANKLIN TOWNSHIP  
MERCER COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Franklin Township, Mercer 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, fire protection and emergency medical services. The Township contracts with the Montezuma Community Fire Company, Inc. to provide fire services and Mercer County to provide 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 and Investments**

Investments are included in fund cash balances.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**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 Funds:

*Road and Bridge Fund* - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

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

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

**D. Fund Accounting** (continued)

**2. Special Revenue Funds** (continued)

*Gasoline Tax Fund* - This fund receives gasoline tax money to construct, maintain and repair Township roads.

**3. 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:

*Issue II Fund (FY 01 only)* - The Township received a grant and a loan from the State of Ohio for the Windy Point Road Widening and Bike Path Project.

*Zuma Trail Bridge to 219 Fund (FY 01 only)*: The Township received a Community Development Block Grant and an Ohio Department of Natural Resources Grant for the Bike/Walking Trail Project.

*Windy Point Trail and Road (FY 01 only)*: The Township received an Ohio Department of Natural Resources Grant and an Ohio Department of Transportation Grant for the Windy Point Road Widening and Bike Path Project.

*Fire Equipment Fund*: This fund received property tax and a State Fire Marshal Revolving Loan for the purchase of a fire truck.

**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. 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. The Township did not encumber all commitments required by Ohio law.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

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

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

**E. Budgetary Process** (continued)

A summary of 2001 and 2000 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 INVESTMENTS**

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

	2001	2000
Demand deposits	\$106,157	\$46,033
Total deposits	106,157	46,033
STAR Ohio	28,233	166,831
Total investments	28,233	166,831
Total deposits and investments	\$134,390	\$212,864

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

**Investments:**

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,676	\$153,809	\$35,133
Special Revenue	319,820	364,442	44,622
Capital Projects	320,387	382,977	62,590
Total	\$758,883	\$901,228	\$142,345

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

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

**3. BUDGETARY ACTIVITY** (continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$233,964	\$231,900	\$2,064
Special Revenue	488,092	352,463	135,629
Capital Projects	260,855	395,339	(134,484)
Total	\$982,911	\$979,702	\$3,209

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,554	\$150,781	\$36,227
Special Revenue	325,598	336,283	10,685
Capital Projects	206,077	207,495	1,418
Total	\$646,229	\$694,559	\$48,330

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$163,987	\$124,609	\$39,378
Special Revenue	416,802	342,133	74,669
Capital Projects	458,887	239,354	219,533
Total	\$1,039,676	\$706,096	\$333,580

Contrary to Ohio law, the appropriations exceeded total estimated resources in the Gasoline Tax fund by \$110,000 and the Windy Point Road Widening Fund by \$2,049 for the year ended December 31, 2001. For the year ended December 31, 2000, the appropriations exceeded total estimated resources in the Zuma Trails Fund by \$88,000 and the Windy Point Road Widening Fund by \$98,648.

Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire fund and in the Issue II fund by \$2,024 and \$95,885, respectively for the year ended December 31, 2001.

**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.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

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

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Township Building Improvement Note	\$60,000	5%
Township Vehicle Acquisition Note	30,000	5%
Ohio Public Works Commission (OPWC) Loan	6,766	0%
State Fire Marshal Revolving Loan	102,000	0%
Total	\$198,766	

The building improvement note was issued to finance the expansion of the Township Building to house Township equipment. The note is renewed each year.

The township vehicle acquisition note was issued during 2000 to finance the purchase of a tractor loader. The note is renewed each year.

The OPWC Loan was issued during 2001 to finance a portion of the Windy Point Widening and Resurfacing Project.

The State Fire Marshal Revolving Loan was issued during 2000 to finance the purchase of a fire truck.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	Township Building Improvement Note	Township Vehicle Acquisition Note	OPWC Loan	State Fire Marshal Revolving Loan
2001	\$60,000	\$30,000	\$0	\$34,000
2002			677	34,000
2003			1,353	34,000
2004			1,353	
2005			1,353	
2006 - 2007			2,030	
Total	\$60,000	\$30,000	\$6,766	\$102,000

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

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

**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. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of PERS participants' gross salaries through June 30, 2000 and for 2001. For the period commencing July 1, 2000 to December 31, 2000, PERS temporarily reduced employer contributions to 8.13%. The Township has paid all contributions required through December 31, 2001.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

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

**7. RISK MANAGEMENT** (continued)

**Risk Pool Membership** (continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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

Franklin Township  
Mercer County  
7721 State Route 219  
Celina, OH 45822

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Mercer County (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated March 26, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40281-001 to 2001-40281-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 26, 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 March 26, 2002.

Franklin Township  
Mercer 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 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

March 26, 2002

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-40281-001**

**Finding for Recovery - Repaid Under Audit**

**Ohio Rev. Code Section 505.60(A)** allows the township to procure and pay all or any part of the cost of insurance policies for certain benefits as outlined in the Revised Code for township employees and officers. The Township passed a resolution to provide for certain health and life insurance benefits under this section, however the benefits outlined in this Section do not authorize life insurance benefits. Life insurance benefits are authorized by **Ohio Rev. Code Section 505.602**, which states a board of township trustees may procure and pay all or any part of the cost of group life insurance to insure the lives of officers and full-time employees of the township. The amount of group life insurance coverage provided by the board to insure the lives of officers of the township shall not exceed fifty thousand dollars per officer. The Revised Code does not allow for a township to pay for all or part of a life insurance policy held by an individual township official or employee.

The Township procured a \$25,000 group life insurance policy that covers all eligible officials and employees in accordance with Ohio Revised Code 505.602. In addition to the premiums for the group life insurance, the Township paid life insurance premiums for two individual policies for Evert Dorsten, Clerk, during 2000. These policies are in the name of Evert Dorsten and are not part of the township's group policy. The total amount paid by the township for premiums on these additional policies was \$1,907.62.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Evert Dorsten, Clerk, and his bonding company Ohio Casualty Insurance, jointly and severally, in the amount of \$1,907.62 in favor of the General Fund. The finding was repaid to the Township on April 23, 2002.

**FINDING NUMBER 2001-40281-002**

**Finding for Recovery - Repaid under Audit**

**Ohio Rev. Code Section 505.60(A)** allows the township to procure and pay all or any part of the cost of insurance policies for certain benefits as outlined in the Revised Code for township employees and officers. The Township passed a resolution to provide for certain health and life insurance benefits under this Section, however the benefits outlined in this Section do not authorize life insurance benefits. Life insurance benefits are authorized by **Ohio Rev. Code Section 505.602**, which states a board of township trustees may procure and pay all or any part of the cost of group life insurance to insure the lives of officers and full-time employees of the township. The amount of group life insurance coverage provided by the board to insure the lives of officers of the township shall not exceed fifty thousand dollars per officer. The Revised Code does not allow for a township to pay for all or part of a life insurance policy held by an individual township official or employee.

The Township procured a \$25,000 group life insurance policy that covers all eligible officials and employees in accordance with Ohio Revised Code 505.602. In addition to the premiums for the group life insurance, the Township paid life insurance premiums for an individual term policy for Ronald Brookhart, Trustee. The premium for this policy was \$115 annually. The total amount paid by the township for premiums on this additional policy was \$230 for 2000 and 2001.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Ronald Brookhart, and his bonding company Ohio Casualty Insurance, jointly and severally, in the amount of \$230 in favor of the Road and Bridge Fund. The finding was repaid to the Township on April 19, 2002.

**FINDING NUMBER 2001-40281-003**

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

Fifteen percent of transactions tested were not properly certified during the audit period. These transactions were in the amount of \$17,756.02 or 15.73% of the expenditures tested. In addition, there was no evidence of subsequent certification by the fiscal officer and authorization by the board of trustees.

The Township should review Ohio Rev. Code Section 5705.41(D) and implement procedures for certification of funds. The Township should obtain the required certification prior to obligating Township funds when practicable. The exceptions should be used when prior certification is not practicable

**FINDING NUMBER 2001-40281-004**

**Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During 2001, the appropriations exceeded the total estimated resources for the Special Revenue Fund by \$105,000. During 2000, the appropriations exceeded the total estimated resources for the Capital Projects Fund by \$186,648. This was due to the Clerk obtaining an amended certificate of estimated resources reducing the estimated resources and appropriations, however the appropriation amendment was not approved by the Trustees. Furthermore, a certificate was not obtained from the county auditor stating that the appropriations did not exceed the estimated resources for the amendments made on February 25, 2000, May 10, 2000, June 8, 2000, December 19, 2000, May 24, 2001, October 10, 2001, and November 14, 2001.

The Township should approve all amendments to the appropriations with the approval documented in the minutes and should obtain a certificate from the county auditor, stating that the appropriations do not exceed the estimated resources, whenever an amendment is made to the appropriations.

**FINDING NUMBER 2001-40281-005**

**Ohio Rev. Code Section 5705.41(B)** states that no subdivision is to expend money unless it has been appropriated.

During 2001, the expenditures exceeded the appropriations for the Fire Fund by \$2,024 and the Issue II Fund by \$95,885. According to the UAN system, the expenditures were within the appropriations, however the amendments to the appropriations were not all approved by the Trustees.

The Township should make certain that only the appropriations approved by the Trustees are recorded in the UAN budgetary system. Furthermore, the Township should periodically compare budgeted amounts to actual expenditures.

**FINDING NUMBER 2001-40281-006**

**Auditor of State Bulletin 97-003** sets forth the requirements for inter-fund advances. As stated in the bulletin, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established. Ohio Rev. Code Section 5705.10 states money paid into any fund shall be used only for the purposes for which such fund is established.

During 2001, the Township advanced \$30,000 from the Road and Bridge Fund and \$34,000 from the Fire Equipment Fund to the Zuma Trails Fund. The Zuma Trails Fund is a capital grant fund established to account for the construction of a bike trail. The Road and Bridge fund was established to account for property tax monies to be used to construct, maintain and repair Township roads and bridges and the Fire Equipment fund was established to account for property tax monies to be used for the purchase of fire equipment. These funds were not established for the same purposes as the Zuma Trails funds, and therefore an advance is not allowable from the Road and Bridge and Fire Equipment funds to the Zuma Trails Fund. Therefore, an adjustment is required to reduce the Zuma Trails Fund in the amount of \$64,000; \$30,000 to the Road and Bridge and \$34,000 to the Fire Equipment fund. The Township agreed to the adjustments and these adjustments are reflected in the accompanying financial statements.

The Township officials should review Auditor of State Bulletin 97-003 concerning the requirements to be met in order to properly advance funds.

**FINDING NUMBER 2001-40281-007**

**Ohio Rev. Code Section 505.60(B)** indicates that if the board procures any insurance policies under this Section, the board shall provide uniform coverage under these policies for township officers from the funds or budgets from which the officers are compensated for services.

During 2001 and 2000, the Township Clerk’s compensation was paid from the General fund but the Clerk’s insurance benefits were paid by the Road and Bridge fund. In addition, the Trustees salaries in both years were allocated to the General and Road and Bridge funds, however the Trustees’ insurance benefits were paid by the Road and Bridge Fund. The following represents the insurance costs paid by the Road and Bridge fund which require adjustment to the General Fund based upon allocation of salaries:

2000 Insurance costs:	
Clerk - 100%	\$12,410.96
Trustees - 41.67%	<u>2,299.26</u>
Total 2000	14,710.22
2001 Insurance costs:	
Clerk - 100%	\$8,372.83
Trustees - 59.77%	<u>3,226.53</u>
Total 2001	<u>11,599.36</u>
Grand Total	<u>\$26,309.58</u>

The Township agreed to the adjustments and these adjustments are reflected in the accompanying financial statements.

The Township should make certain that the insurance costs are allocated to funds proportional to compensation.

**FINDING NUMBER 2001-40281-008**

**Ohio Rev Code Section 5705.10** states that monies paid into any fund shall be used only for which purpose such fund was established. The Road and Bridge funds was established to account for property tax monies to be used to construct, maintain and repair township roads and bridges. The Township procured commercial insurance coverage and insurance coverage from the Ohio Township Association Risk Management Authority for legal liability, automobile liability, wrongful acts, auto physical damage, property coverage for buildings and content and inland marine. The Road and Bridge fund paid the premium and costs for this coverage in the amount of \$7,372.09 in 2000 and \$3,863 in 2001. Although the Road and Bridge fund receives some benefit from the expenditure it is not appropriate that the Road and Bridge fund bears the total costs of the insurance coverage. An adjustment is required against the General Fund in the amount of \$11,235.09 in favor of the Road and Bridge fund. The Township agreed to the adjustments and these adjustments are reflected in the accompanying financial statements.

The Township should review the relationship between the expenditure, the purpose of the fund and the benefit derived from the expenditure when allocating costs to various funds.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**FRANKLIN TOWNSHIP**

**MERCER 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 9, 2002**