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**FRANKLIN TOWNSHIP  
MORROW COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

*Whited Seigneur Sams & Rahe, LLP*

CERTIFIED PUBLIC ACCOUNTANTS



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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Franklin Township, Morrow County  
5380 State Route 95  
Mount Gilead, Ohio 43338

We have reviewed the Independent Auditor's Report of Franklin Township, Morrow County, prepared by Whited Seigneur Sams & Rahe, LLP, for the audit period January 1, 2002 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Franklin Township, Morrow County is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

August 16, 2004

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**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO**

**TABLE OF CONTENTS**

	<b>Page</b>
Report of Independent Auditor .....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003 .....	2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002 .....	3
Notes to the Financial Statements .....	4
Report of Independent Auditor on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	8

# Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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June 28, 2004

Board of Trustees  
Franklin Township  
Morrow County  
5380 State Route 95  
Mount Gilead, OH 43338

## Report of Independent Auditor

We have audited the accompanying financial statements of Franklin Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits 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 audits 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 audits provide 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 Franklin Township, Morrow County, Ohio, as of December 31, 2003 and 2002, 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 a report dated June 28, 2004 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 management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>CASH RECEIPTS</b>			
Local Taxes	\$ 34,178	\$ 34,977	\$ 69,155
Intergovernmental	22,854	69,428	92,282
Earnings on Investments	907	137	1,044
Other Revenue	<u>1,791</u>	<u>22</u>	<u>1,813</u>
<b>TOTAL CASH RECEIPTS</b>	59,730	104,564	164,294
<b>CASH DISBURSEMENTS</b>			
Current:			
General Government	57,209	0	57,209
Public Works	4,808	72,581	77,389
Health	2,828	0	2,828
Capital Outlay	<u>349</u>	<u>14,467</u>	<u>14,816</u>
<b>TOTAL CASH DISBURSEMENTS</b>	<u>65,194</u>	<u>87,048</u>	<u>152,242</u>
<b>TOTAL RECEIPTS OVER/ (UNDER) DISBURSEMENTS</b>	(5,464)	17,516	12,052
Fund Cash Balances, January 1, 2003	<u>46,392</u>	<u>102,647</u>	<u>149,039</u>
Fund Cash Balances, December 31, 2003	<u>\$ 40,928</u>	<u>\$ 120,163</u>	<u>\$ 161,091</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
<b>CASH RECEIPTS</b>				
Local Taxes	\$ 31,116	\$ 28,618	\$ 0	\$ 59,734
Intergovernmental	16,700	63,488	89,503	169,691
Earnings on Investments	1,340	306	0	1,646
Other Revenue	<u>2,054</u>	<u>274</u>	<u>0</u>	<u>2,328</u>
<b>TOTAL CASH RECEIPTS</b>	51,210	92,686	89,503	233,399
<b>CASH DISBURSEMENTS</b>				
Current:				
General Government	73,790	0	0	73,790
Public Works	51	77,806	89,503	167,360
Health	4,267	0	0	4,267
Capital Outlay	<u>7,550</u>	<u>11,200</u>	<u>0</u>	<u>18,750</u>
<b>TOTAL CASH DISBURSEMENTS</b>	<u>85,658</u>	<u>89,006</u>	<u>89,503</u>	<u>264,167</u>
<b>TOTAL RECEIPTS OVER/ (UNDER) DISBURSEMENTS</b>	(34,448)	3,680	0	(30,768)
Fund Cash Balances, January 1, 2002	<u>80,840</u>	<u>98,967</u>	<u>0</u>	<u>179,807</u>
Fund Cash Balances, December 31, 2002	<u>\$ 46,392</u>	<u>\$ 102,647</u>	<u>\$ 0</u>	<u>\$ 149,039</u>
Reserve for Encumbrances December 31, 2002	<u>\$ 4,764</u>	<u>\$ 8,015</u>	<u>\$ 0</u>	<u>\$ 12,779</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- **Description of the Entity**

Franklin Township, Morrow 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. The Township contracts with the Village of Mount Gilead and Perry Congress Joint Fire District to provide fire protection services.

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

- **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.

- **Cash and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

- **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:

**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.

**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 for constructing, maintaining and repairing Township roads.

Fire Levy Fund - This fund received property tax money to provide fire protection and emergency medical services to Township residents.

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

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

- **Fund Accounting - (Continued)**

**Capital Project Fund** - This fund is 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 - The Township received grants from the State of Ohio to resurface roads.

- **Budgetary Process**

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

**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.

**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.

**Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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

	2003	2002
Demand Deposits	\$ 109,553	\$ 98,202
Certificates of Deposit	51,538	50,837
Total Deposits	\$ 161,091	\$ 149,039

- **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  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 were as follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 57,270	\$ 59,730	\$ 2,460
Special Revenue	<u>115,500</u>	<u>104,564</u>	<u>(10,936)</u>
Total	<u>\$ 172,770</u>	<u>\$ 164,294</u>	<u>\$ (8,476)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 110,994	\$ 65,194	\$ 45,800
Special Revenue	<u>223,594</u>	<u>87,048</u>	<u>136,546</u>
Total	<u>\$ 334,588</u>	<u>\$ 152,242</u>	<u>\$ 182,346</u>

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 49,900	\$ 51,210	\$ 1,310
Special Revenue	103,390	92,686	(10,704)
Capital Projects	<u>89,503</u>	<u>89,503</u>	<u>0</u>
Total	<u>\$ 242,793</u>	<u>\$ 233,399</u>	<u>\$ (9,394)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 141,163	\$ 90,422	\$ 50,741
Special Revenue	190,733	97,021	93,712
Capital Projects	<u>89,503</u>	<u>89,503</u>	<u>0</u>
Total	<u>\$ 421,399</u>	<u>\$ 276,946</u>	<u>\$ 144,453</u>

**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 payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**4. PROPERTY TAX - (Continued)**

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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

**6. 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, from the General Reinsurance Corporation.

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.

# Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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June 28, 2004

Board of Trustees  
Franklin Township  
Morrow County  
5380 State Route 95  
Mount Gilead, OH 43338

## **Report of Independent Auditor on Compliance and on Internal Control Required by *Government Auditing Standards***

We have audited the accompanying financial statements of Franklin Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 28, 2004. We conducted our audits 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 28, 2004.

### **Internal Control Over Financial Reporting**

In planning and performing our audits, 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 June 28, 2004.

This report is intended for the information and use of management and Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



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Betty Montgomery**

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**FRANKLIN TOWNSHIP**

**MORROW 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  
AUGUST 26, 2004**