



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

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**STATE OF OHIO**



FLORENCE TOWNSHIP  
ERIE COUNTY

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Florence Township  
Erie County  
11015 Chapel Street  
P.O. Box 81  
Birmingham, Ohio 44816-0081

To the Board of Trustees:

We have audited the accompanying financial statements of Florence Township, Erie 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 audits.

We conducted our audits 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 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 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 16, 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 audits.

Florence Township  
Erie County  
Report of Independent Accountants  
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, 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 16, 2001

**FLORENCE TOWNSHIP  
ERIE 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	\$72,267	\$92,725	\$39,851	\$204,843
Intergovernmental	113,954	72,813	2,036	188,803
Charges for Services	22,260			22,260
Licenses, Permits, and Fees	9,179			9,179
Fines, Forfeitures, and Penalties	100			100
Earnings on Investments	29,016	950		29,966
Other Revenue	267	200		467
	<u>247,043</u>	<u>166,688</u>	<u>41,887</u>	<u>455,618</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	104,061	22,950	3,869	130,880
Public Safety	20,243	34	34	20,311
Public Works	68,964	158,398		227,362
Health	22,041			22,041
Debt Service:				
Redemption of Principal		14,932	13,831	28,763
Interest and Fiscal Charges		2,943	4,044	6,987
Capital Outlay	28,452	8,416		36,868
	<u>243,761</u>	<u>207,673</u>	<u>21,778</u>	<u>473,212</u>
Total Receipts Over/(Under) Disbursements	<u>3,282</u>	<u>(40,985)</u>	<u>20,109</u>	<u>(17,594)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Fixed Assets	8,600	255	6,500	15,355
Other Sources	9,717			9,717
	<u>18,317</u>	<u>255</u>	<u>6,500</u>	<u>25,072</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	21,599	(40,730)	26,609	7,478
Fund Cash Balances, January 1	<u>270,378</u>	<u>87,287</u>	<u>3,480</u>	<u>361,145</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$291,977</u></b>	<b><u>\$46,557</u></b>	<b><u>\$30,089</u></b>	<b><u>\$368,623</u></b>
Reserve for Encumbrances, December 31	<u>\$3,857</u>	<u>\$4,700</u>	<u>\$1,302</u>	<u>\$9,859</u>

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

**FLORENCE TOWNSHIP  
ERIE COUNTY**

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

	<u>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	\$70,648	\$91,209	\$37,216	\$199,073
Intergovernmental	81,313	71,809	4,004	157,126
Charges for Services	21,000			21,000
Fines, Forfeitures, and Penalties	10,631			10,631
Earnings on Investments	13,636	817		14,453
Other Revenue	344	2,520		2,864
	<u>197,572</u>	<u>166,355</u>	<u>41,220</u>	<u>405,147</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	89,395		664	90,059
Public Safety	8,397	18,422		26,819
Public Works	31,036	98,953		129,989
Health	19,373			19,373
Capital Outlay	185	31,217	64,000	95,402
	<u>148,386</u>	<u>148,592</u>	<u>64,664</u>	<u>361,642</u>
Total Cash Disbursements	<u>148,386</u>	<u>148,592</u>	<u>64,664</u>	<u>361,642</u>
Total Receipts Over/(Under) Disbursements	<u>49,186</u>	<u>17,763</u>	<u>(23,444)</u>	<u>43,505</u>
<b>Other Financing Receipts:</b>				
Other Sources	10,479			10,479
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	59,665	17,763	(23,444)	53,984
Fund Cash Balances, January 1	210,713	69,524	26,924	307,161
<b>Fund Cash Balances, December 31</b>	<b><u>\$270,378</u></b>	<b><u>\$87,287</u></b>	<b><u>\$3,480</u></b>	<b><u>\$361,145</u></b>
Reserve for Encumbrances, December 31	<u>\$1,425</u>	<u>\$6,123</u>		<u>\$7,548</u>

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



**FLORENCE TOWNSHIP  
ERIE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Florence Township, Erie 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 fire protection.

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**

Certificates of deposit are valued at cost.

Investments are reported as assets. 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.

**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.

**FLORENCE TOWNSHIP  
ERIE COUNTY**

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

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from 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 for constructing, maintaining and repairing Township roads and bridges.

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

*Special Fire Levy Fund* - This fund receives property tax money for providing fire protection.

**3. Capital Project Fund**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project fund:

*Special Fire Levy Equipment Fund* - This fund receives property tax money for the purchase of fire equipment.

**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.

**FLORENCE TOWNSHIP  
ERIE COUNTY**

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

**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.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

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

The Township maintains a cash and investments 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:

	<b>2000</b>	<b>1999</b>
Demand deposits	\$3,894	\$9,584
Certificates of deposit	364,729	351,561
Total deposits	\$368,623	\$361,145

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

**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	\$174,027	\$265,360	\$91,333
Special Revenue	170,367	166,943	(3,424)
Capital Projects	35,930	48,387	12,457
Total	\$380,324	\$480,690	\$100,366

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$444,405	\$247,618	\$196,787
Special Revenue	257,654	212,373	45,281
Capital Projects	39,410	23,080	16,330
Total	\$741,469	\$483,071	\$258,398

**FLORENCE TOWNSHIP  
ERIE COUNTY**

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$167,703	\$208,051	\$40,348
Special Revenue	197,065	166,355	(30,710)
Capital Projects	67,490	41,220	(26,270)
Total	\$432,258	\$415,626	(\$16,632)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$378,416	\$149,811	\$228,605
Special Revenue	233,259	154,715	78,544
Capital Projects	67,490	64,664	2,826
Total	\$679,165	\$369,190	\$309,975

**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, and for 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
General Obligation Note - Fire Rescue Truck	\$126,209	5.65%

**FLORENCE TOWNSHIP  
ERIE COUNTY**

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

The general obligation note was issued to finance the purchase of a new fire truck tanker and was dated January 12, 2000 in the amount of \$154,972. The note will be paid in semiannual installments of \$17,875, including interest.

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

<u>Year Ending December 31:</u>	<u>General Obligation Note - Fire Rescue Truck</u>
2001	\$35,750
2002	35,750
2003	35,750
2004	<u>35,750</u>
Total	<u><u>\$143,000</u></u>

**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. 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 1999 and 10.84% for fiscal year 2000. The Township has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Township is a member of the Ohio Township Risk Management Authority (the Authority). The Authority assumes the risk of loss up to the limits of the Township's policy. The Authority may assess supplemental premiums. The following risks are covered by the Authority:

- Legal Liability - third-party Claims Coverage;
- Automobile Liability Coverage;
- Wrongful Acts Coverage;
- Automobile Physical Damage; and
- Property Coverage: Building and Contents, Inland Marine.

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

Florence Township  
Erie County  
11015 Chapel Street  
P.O. Box 81  
Birmingham, Ohio 44816-0081

To the Board of Trustees:

We have audited the accompanying financial statements of Florence Township, Erie County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 16, 2001. We conducted our audits 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 audits 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 and is described in the accompanying schedule of findings as item 2000-40522-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 16, 2001.

**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 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 16, 2001.

Florence Township  
Erie 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 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 16, 2001



FLORENCE TOWNSHIP  
ERIE 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 2000-40522-001

**Noncompliance Citation**

Ohio Revised Code § 5549.21 requires the purchase of materials, machinery and tools to be used in constructing, maintaining and repairing roads and culverts, where the amount involved exceeds \$15,000 to be competitively bid. House Bill 204 modified Ohio Revised Code §125.04 effective March 30, 1999, making changes to a township's participation in the Department of Administrative Service's Cooperative Purchasing Program. The changes permitted a township to purchase supplies or services from another party, including another political subdivision, instead of through a contract that the Department of Administrative Services has entered into on behalf of the Township, if the Township can prove that it can purchase those same supplies or services from the other party upon equivalent conditions and specifications but at a lower price. If so, the Township does not have to competitively bid those supplies or services.

During fiscal year 2000, the Township purchased a dump truck from Mathews Ford Lincoln Mercury for \$28,452. The Township made inquiries about the availability of a dump truck through the cooperative purchasing program, however, this vehicle did not meet the Township's specifications. Discussions with the Clerk-Treasurer and Chairman indicated the Township then purchased a vehicle meeting the Township specifications without soliciting bids. The changes made to the cooperative purchasing program permitted the Township to not competitively bid an item provided the purchase consisted of services or supplies upon equivalent specifications. The lack of availability of a vehicle meeting the Township's specifications is not sufficient to avoid competitively bidding the purchase.

The failure to competitively bid purchases that are required by Ohio Revised Code § 5549.21 could result in the Township not obtaining the best price possible. Also, the Township may be susceptible to potential litigation from vendors that were not given the opportunity to submit bids to the Township. We recommend that the Board follow competitive bidding requirements when required and maintain all documents substantiating the bid process.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**FLORENCE TOWNSHIP**

**ERIE 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  
JUNE 7, 2001**