



**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**



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

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**STATE OF OHIO**



FRANKLIN TOWNSHIP  
SHELBY COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Franklin Township  
Shelby County  
11095 County Road 25A  
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Shelby County, (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 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 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 29, 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, 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 29, 2001

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$12,562	\$330,248		\$342,810
Intergovernmental	32,273	65,429		97,702
Licenses, Permits, and Fees	14,876	12,671		27,547
Earnings on Investments	1,004	2,436	\$334	3,774
Other Revenue	160	10,516		10,676
	<u>60,875</u>	<u>421,300</u>	<u>334</u>	<u>482,509</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	43,211			43,211
Public Safety		78,321		78,321
Public Works	609	461,336		461,945
Health	20,000	30,275		50,275
Debt Service:				
Redemption of Principal		23,968		23,968
Interest and Fiscal Charges	3,000			3,000
Capital Outlay		4,313		4,313
	<u>66,820</u>	<u>598,213</u>		<u>665,033</u>
Total Receipts Over/(Under) Disbursements	<u>(5,945)</u>	<u>(176,913)</u>	<u>334</u>	<u>(182,524)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		4,000		4,000
Transfers-Out	(4,000)			(4,000)
	<u>(4,000)</u>	<u>4,000</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,945)	(172,913)	334	(182,524)
Fund Cash Balances, January 1	<u>25,837</u>	<u>408,190</u>	<u>15,112</u>	<u>449,139</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$15,892</b></u>	<u><b>\$235,277</b></u>	<u><b>\$15,446</b></u>	<u><b>\$266,615</b></u>

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

FRANKLIN TOWNSHIP  
SHELBY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Non-Expendable Trust</u>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	<u>\$103</u>
Total Operating Cash Receipts	103
<b>Cash Disbursements:</b>	
Current:	
Supplies and Materials	<u>                    </u>
Total Cash Disbursements	
Total Receipts Over/(Under) Disbursements	<u>103</u>
Fund Cash Balances, January 1	<u>2,770</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$2,873</u></u>

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



**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$12,915	\$343,265			\$356,180
Intergovernmental	46,614	67,743	\$22,125		136,482
Licenses, Permits, and Fees	4,068	13,403			17,471
Earnings on Investments	1,384	1,383		\$433	3,200
Other Revenue	458	15,165			15,623
<b>Total Cash Receipts</b>	<u>65,439</u>	<u>440,959</u>	<u>22,125</u>	<u>433</u>	<u>528,956</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	43,887	20,832			64,719
Public Safety		81,678			81,678
Public Works	609	110,712			111,321
Health	17,662	34,058		3	51,723
Debt Service:					
Redemption of Principal		20,555			20,555
Interest and Fiscal Charges	3,741	3,741			7,482
Capital Outlay	579		22,125		22,704
<b>Total Cash Disbursements</b>	<u>66,478</u>	<u>271,576</u>	<u>22,125</u>	<u>3</u>	<u>360,182</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(1,039)</u>	<u>169,383</u>		<u>430</u>	<u>168,774</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In		1,000			1,000
Transfers-Out	(1,000)				(1,000)
Other Sources	333	1,136			1,469
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(667)</u>	<u>2,136</u>			<u>1,469</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,706)	171,519		430	170,243
Fund Cash Balances, January 1	27,543	236,671		14,682	278,896
<b>Fund Cash Balances, December 31</b>	<u><b>\$25,837</b></u>	<u><b>\$408,190</b></u>	<u><b>\$0</b></u>	<u><b>\$15,112</b></u>	<u><b>\$449,139</b></u>
Reserve for Encumbrances, December 31	<u>\$1,659</u>	<u>\$80,178</u>	<u>\$0</u>	<u>\$0</u>	<u>\$81,837</u>

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

FRANKLIN TOWNSHIP  
SHELBY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Non-Expendable Trust</u>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	<u>\$105</u>
Total Operating Cash Receipts	105
<b>Cash Disbursements:</b>	
Current:	
Supplies and Materials	<u>4</u>
Total Cash Disbursements	4
Total Receipts Over/(Under) Disbursements	<u>101</u>
Fund Cash Balances, January 1	<u>2,669</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$2,770</u></u>

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

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Franklin Township, Shelby 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, fire protection and emergency medical services. The Township utilizes the Shelby County Sheriff's Department to provide security of persons and property, and contracts with the Village of Anna and the City of Sidney Fire Departments to provide fire services and the Anna Rescue Squad 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**

The Township maintains a interest bearing checking account, savings account, and certificates of deposit. Certificates of deposit are valued at cost.

**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:

**Motor Vehicle License Tax Fund** - This fund receives motor vehicle license tax money for constructing, maintaining, and repairing Township roads.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

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

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

**D. Fund Accounting (Continued)**

**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.

**Fire District Fund** - This fund receives property tax money to provide fire protection to the Township residents.

**Rescue Fund** - This fund receives property tax money to provide ambulance services to the Township residents.

**Cemetery Fund** - This fund receives money from the sale of plots and the opening and closing of graves to be used for cemetery upkeep.

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

**Public Works Projects** - The Township, in conjunction with other Shelby County townships, received a grant in 1999 from the State of Ohio to repair the Township roads.

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

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

**Cemetery Fund #2** - Expendable trust fund. Amounts are used for cemetery upkeep.

**Cemetery Bequest Funds** - Non-expendable trust funds. Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

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

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

**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 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. During the period the Township failed to comply with Ohio Rev. Code Section 5705.41(D) and certify the availability of funds prior to incurring the obligation.

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 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 and investments at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$260,324	\$442,878
Certificates of deposit	9,164	9,031
Total deposits	<u>\$269,488</u>	<u>\$451,909</u>

**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  
SHELBY 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	\$42,764	\$60,875	\$18,111
Special Revenue	435,248	425,300	(9,948)
Fiduciary	464	437	(27)
Total	\$478,476	\$486,612	\$8,136

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$83,735	\$70,820	\$12,915
Special Revenue	847,617	598,213	249,404
Fiduciary	18,344	0	18,344
Total	\$949,696	\$669,033	\$280,663

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,509	\$65,772	\$6,263
Special Revenue	379,061	443,095	64,034
Capital Projects	22,125	22,125	0
Fiduciary	450	538	88
Total	\$461,145	\$531,530	\$70,385

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,679	\$69,137	\$19,542
Special Revenue	617,232	351,754	265,478
Capital Projects	22,125	22,125	0
Fiduciary	13,889	7	13,882
Total	\$741,925	\$443,023	\$298,902

**FRANKLIN TOWNSHIP  
SHELBY 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, 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 Notes	\$102,775	5%

The general obligation notes were used to finance the building of a new Township hall. The notes are collateralized solely by the Township's taxing authority.

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

Year ending December 31:	General Obligation Notes
2001	\$25,899
2002	24,830
2003	23,762
2004	22,693
2005	<u>21,624</u>
Total	<u>\$118,808</u>

**FRANKLIN TOWNSHIP  
SHELBY 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, 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. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for January 1999 through June 2000 and an amount equal to 8.13% of participants' gross salaries for July 2000 through December 2000. The Township has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township also provides health insurance to elected officials and full-time employees through a private carrier.





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

Franklin Township  
Shelby County  
11095 County Road 25A  
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Shelby County, (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 29, 2001. 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 2000-40275-001 and 2000-40275-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 29, 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 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 May 29, 2001.

Franklin Township  
Shelby 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 29, 2001

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2000-40275-001**

**Ohio Rev. Code Section 5705.41 (D)**, provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were 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.

The Township Clerk failed to comply with the certification requirement for 80% of the disbursement transactions examined during the period and the exception was not utilized.

The Township should develop policies to improve compliance with the certification requirement.

**FINDING NUMBER 2000-40275-002**

On July 19, 1996, the Board of Township Trustees met and adopted the, "Resolution Authorizing Issuance and Sale of \$184,995 of Notes." Section 4 and 5 of the resolution created a bond retirement fund and required the Township to appropriate and retire the note principal and interest from the bond retirement fund.

The Township did not establish the required Bond Retirement Fund and retired principal and interest of \$28,037 in 1999, and \$26,968 in 2000, from the General Fund and Road and Bridge Fund, contrary to the above resolution.

The Board should establish the required Bond Retirement Fund to record the retirement of the 1996 note issue.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**FRANKLIN TOWNSHIP**

**SHELBY 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**