



**Auditor of State
Betty Montgomery**

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	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.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Shawnee Township
Allen County
2530 Fort Amanda Road
Lima, Ohio 45804

To the Board of Trustees:

We have audited the accompanying financial statements of Shawnee Township, Allen County, (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 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.

The Township's financial transactions were processed using the Auditor of States Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed and implemented, and as requested, operates UAN. However, *Government Auditing Standards* permit the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and §115.56 mandate the Auditor of State to audit Ohio governments.

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, 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 our report dated April 22, 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 § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 22, 2004

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$250,375	\$3,094,698	\$3,345,073
Intergovernmental	242,933	350,552	593,485
Special Assessments	15,500	729	16,229
Charges for Services		155,819	155,819
Licenses, Permits, and Fees	13,251	2,450	15,701
Fines, Forfeitures, and Penalties		10,420	10,420
Earnings on Investments	29,950	2,515	32,465
Other Revenue	6,142	21,196	27,338
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	558,151	3,638,379	4,196,530
Cash Disbursements:			
Current:			
General Government	403,540	407,311	810,851
Public Safety	362,602	2,645,908	3,008,510
Public Works	33,845	489,276	523,121
Health	68,951		68,951
Capital Outlay	2,584	165,257	167,841
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	871,522	3,707,752	4,579,274
Total Receipts Over/(Under) Disbursements	(313,371)	(69,373)	(382,744)
Other Financing Receipts/Disbursements			
Sale of Fixed Assets		12,234	12,234
Other Sources	1,725		1,725
Other Uses	(10)		(10)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/Disbursements	1,715	12,234	13,949
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(311,656)	(57,139)	(368,795)
Fund Cash Balances, January 1	1,102,361	2,224,078	3,326,439
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Fund Cash Balances, December 31	\$790,705	\$2,166,939	\$2,957,644

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts:			
Licenses, Permits, and Fees		\$5,826	\$5,826
Charges for Services	\$565,871		565,871
Total Operating Cash Receipts	565,871	5,826	571,697
Operating Cash Disbursements:			
Claims Paid	471,183		471,183
Other		5,156	5,156
Total Operating Cash Disbursements	471,183	5,156	476,339
Operating Income/(Loss)	94,688	670	95,358
Fund Cash Balances, January 1		4,647	4,647
Fund Cash Balances, December 31	<u>\$94,688</u>	<u>\$5,317</u>	<u>\$100,005</u>

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$208,593	\$3,013,629	\$3,222,222
Intergovernmental	373,496	303,272	676,768
Special Assessments		222	222
Licenses, Permits, and Fees	16,002	2,310	18,312
Fines, Forfeitures, and Penalties		11,081	11,081
Earnings on Investments	61,577	2,044	63,621
Other Revenue	5,458	66,583	72,041
	<u>665,126</u>	<u>3,399,141</u>	<u>4,064,267</u>
Total Cash Receipts	665,126	3,399,141	4,064,267
Cash Disbursements:			
Current:			
General Government	340,905		340,905
Public Safety	406,701	3,052,270	3,458,971
Public Works	24,108	509,288	533,396
Health	71,183		71,183
	<u>842,897</u>	<u>3,561,558</u>	<u>4,404,455</u>
Total Cash Disbursements	842,897	3,561,558	4,404,455
Total Receipts Over/(Under) Disbursements	(177,771)	(162,417)	(340,188)
Fund Cash Balances, January 1	1,280,132	2,386,495	3,666,627
Fund Cash Balances, December 31	<u>\$1,102,361</u>	<u>\$2,224,078</u>	<u>\$3,326,439</u>
Reserve for Encumbrances, December 31	<u>\$179,173</u>	<u>\$599,892</u>	<u>\$779,065</u>

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Licenses, Permits, and Fees	\$21,317
Total Operating Cash Receipts	21,317
Operating Cash Disbursements:	
Other	17,727
Total Operating Cash Disbursements	17,727
Operating Income/(Loss)	3,590
Fund Cash Balance, January 1	1,057
Fund Cash Balance, December 31	\$4,647
Reserve for Encumbrances, December 31	\$4,273

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Shawnee Township, Allen 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 government services, road and bridge maintenance, fire and police protection and emergency medical 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 checking and savings accounts which 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 that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Police Fund - This fund accounts for the money from a tax levied for the operation of the police department.

Fire District Fund - This fund accounts for the money from a tax levied for the operation of the fire department.

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Proprietary Funds

Internal Service Fund

This fund is used to account for the financing of goods or services provided to other departments or agencies of the governmental unit on a cost-reimbursement basis. The Township had the following significant proprietary fund:

Self Insurance Fund: This fund accounts for monies received from employer contributions and employee withholdings to cover the Township's self insurance premiums and claims expense.

4. Fiduciary Funds

Agency Fund

Funds for which the Township is acting in an agency capacity are classified as agency funds. The Township had the following significant fiduciary fund:

Escrow Account: This fund accounts for monies received from insurance companies for the demolition or repair of private property buildings damaged by fires, and for monies received as performance bonds for driveway permit fees, roadside tile taps, and construction within the road right of way.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except agency funds) 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 December 31, 2002 were carried over, and need not be reappropriated. Encumbrances outstanding at December 31, 2003, are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

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	\$3,057,649	\$3,331,086

Deposits: 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, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$489,195	\$559,876	\$70,681
Special Revenue	3,338,900	3,650,613	311,713
Proprietary	0	565,871	565,871
Total	\$3,828,095	\$4,776,360	\$948,265

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,574,000	\$871,532	\$702,468
Special Revenue	5,414,465	3,707,752	1,706,713
Fiduciary	0	471,183	(471,183)
Total	\$6,988,465	\$5,050,467	\$1,937,998

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$534,137	\$665,126	\$130,989
Special Revenue	3,439,763	3,399,141	(40,622)
Total	\$3,973,900	\$4,064,267	\$90,367

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,813,400	\$1,022,070	\$791,330
Special Revenue	5,815,065	4,161,450	1,653,615
Total	\$7,628,465	\$5,183,520	\$2,444,945

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Internal Service fund by \$471,183 for the year ended December 31, 2003.

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. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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. Members of OP&F contribute 10 percent of their wages, and the Township contributes an amount equal to 24 percent of their wages to OP&F. PERS members, except for law enforcement, contribute 8.5 percent of their gross salaries, and the Township contributes an amount equal to 13.55 percent of participants' gross salaries. PERS members in law enforcement contribute 10.1% and the Township contributes 16.7% of participant's gross wages. The Township has paid all contributions required through December 31, 2003.

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RISK MANAGEMENT

A. 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 coverage 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 Coverage - OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. 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 Coverage - OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

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, 2002 and 2001 (the latest information available):

Casualty Coverage	2002	2001
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>(9,197,512)</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>
Property Coverage	2002	2001
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RISK MANAGEMENT (Continued)

B. Self Insurance

The Township provides a self insured program for health insurance. From January 1, 2002 through March 31, 2003, the self insurance program paid covered claims to a service provider, and recovered the costs by charging directly to the liable fund. Beginning on April 1, 2003, an Internal Service Fund was established to account for the activity of the self insurance program. From April 1, 2003, through December 31, 2003, the Self Insurance Fund paid covered claims to service providers, and recovered these costs from charges to other funds based on an actuarially determined cost per employee.

The Township is not required to obtain an actuarially prepared report of reserves and liabilities.

7. COMPONENT UNIT

Shawnee Township Cemetery Association – Shawnee Township Cemetery Association, Allen County, (the Cemetery) 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 Association is directed by a three-member Board of Trustees appointed by the Shawnee Township Trustees. The Association maintains the township cemetery and provides grounds maintenance, opening and closing of graves, and the sale of grave lots.

The following represents the condensed financial information of the Cemetery Association:

Operating Statement	2003	2002
Cash Receipts	\$27,369	\$33,925
Cash Disbursements	23,973	27,036
Excess of Cash Receipts Over (Under) Cash Disbursements	3,396	6,889
Fund Balance – Beginning of Year	\$106,056	99,167
Fund Balance – End of Year	\$109,452	\$106,056

The Township has not been required to give substantial monetary support in recent years, and the Cemetery is currently generating sufficient revenues to provide for operations. Additional financial information can be obtained by contacting Ruth Smith, Secretary/Treasurer, at 2785 South Dixie Highway, Lima, Ohio 45804.

8. JOINTLY GOVERNED ORGANIZATION

Allen Water District - The Allen Water District, (the District), was created by the Court of Common Pleas in Allen County in accordance with the provisions of Section 6119.01 et seq to provide water services to the residents of Bath, American, Perry, and Shawnee Townships. A seven (7) member appointed Board of Trustees manage the District. Each member township appoints a member and those members appoint the at large members.

Financial information can be obtained by contacting Glenn Hasting, Treasurer, at P.O. Box 724, Lima, Ohio 45802-0724.



Auditor of State Betty Montgomery

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

Shawnee Township
Allen County
2530 Fort Amanda Road
Lima, Ohio 45804

To the Board of Trustees:

We have audited the accompanying financial statements of Shawnee Township, Allen County, (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 22, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township, because the Auditor of State designed, developed, implemented, and as requested, operates UAN. 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 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 22, 2004.

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 April 22, 2004.

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Shawnee Township
Allen County
Independent Accountants' Report 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 management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 22, 2004

**SHAWNEE TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-001

Ohio Rev. Code Section 5705.40 states that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. Transfers may be made by resolution or ordinance from one appropriation item to another.

During 2003, supplemental appropriations in the Insurance Fund in the amount of \$638,690, and appropriation modifications to the General, Road and Bridge, Police District, and Fire Funds totaling (\$638,690), were entered into the UAN system which had not been approved by the Board of Trustees or filed with the County Auditor. Supplemental appropriations are not legally enacted until approved by Board resolution and certified by the County Auditor. 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.

Failure to properly obtain approval for appropriation modifications prior to expenditure of the funds can result in expenditures exceeding appropriations. The Board of Trustees should adopt a resolution authorizing all appropriation amendments. All appropriation modifications resulting in an increase or decrease to fund appropriations should be filed with the County Auditor.

FINDING NUMBER 2003-002

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The amount for the following fund represents the amount by which expenditures exceeded appropriations at December 31, 2003, at the fund/function/object level of control:

Fund/Function/Object Level - 2003	Appropriation	Expenditures	Excess
Internal Service Fund - Insurance Fund			
General Government –			
Employee Fringe Benefits	\$0	\$84,745	\$84,745
Public Safety (Police Protection) –			
Employee Fringe Benefits	0	120,636	120,636
Public Safety (Fire Protection) –			
Employee Fringe Benefits	0	226,123	226,123
Public Works – Employee Fringe Benefits	0	39,679	39,679

Failure to adopt amended or supplemental appropriations for an increase in allowable spending could result in expenditures being made in excess of actual funds available and result in deficit spending.

Procedures should be developed to compare actual expenditures to appropriations in order to identify when expenditures are nearing the level of appropriations and appropriate action taken. This can be accomplished through the review of the budget versus actual report generated from the UAN system on a monthly basis.

FINDING NUMBER 2003-003

Ohio Rev. Code Sec. 5705.41 (D), states 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 considered null and void.

An exception to this requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is completed, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority. Amounts of less than \$1,000 (\$3,000 effective April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The required certification was not obtained prior to the expenditure of Township funds for all expenditures for both the years 2003 and 2002. Purchase orders were prepared in the system for the expenditures, but were not printed and signed by the Clerk and Township Trustees. Therefore, prior certification was not given for any expenditures during the audit period.

The required certification should be obtained prior to purchasing goods and services for the Township. Prior certification has not been achieved until the purchase orders have been certified by the Clerk that funds are available to meet the obligation.



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SHAWNEE TOWNSHIP

ALLEN 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 10, 2004**