



**Auditor of State
Betty Montgomery**

FRANKLIN TOWNSHIP
SHELBY COUNTY

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**Auditor of State
Betty Montgomery**

Franklin Township
Shelby County
101 Young Street
Anna, Ohio 45302

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

September 15, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Franklin Township
Shelby County
101 Young Street
Anna, Ohio 45302

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, 2004 and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Franklin Township, Shelby County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 15, 2005

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$111,178	\$352,168		\$463,346
Intergovernmental Receipts	77,671	89,910		167,581
Fines, Licenses, and Permits	2,563	9,166		11,729
Earnings on Investments	311	247		558
Miscellaneous	348	10,403		10,751
Total Cash Receipts	<u>192,071</u>	<u>461,894</u>		<u>653,965</u>
Cash Disbursements:				
Current:				
General Government	63,519	23,122		86,641
Public Safety		108,831		108,831
Public Works	605	314,877		315,482
Health	29,988	18,204		48,192
Debt Service:				
Redemption of Principal		20,555		20,555
Interest and Other Fiscal Charges	1,069	1,069		2,138
Capital Outlay	412	335		747
Total Cash Disbursements	<u>95,593</u>	<u>486,993</u>		<u>582,586</u>
Total Receipts Over/(Under) Disbursements	96,478	(25,099)		71,379
Fund Cash Balances, January 1	<u>31,488</u>	<u>256,843</u>	<u>\$336</u>	<u>288,667</u>
Fund Cash Balances, December 31	<u>\$127,966</u>	<u>\$231,744</u>	<u>\$336</u>	<u>\$360,046</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 TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Fiduciary Fund Types</u>
	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$45
Total Operating Cash Receipts	45
Operating Income/(Loss)	45
Fund Cash Balances, January 1	3,321
Fund Cash Balances, December 31	<u>3,366</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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$62,205	\$377,175			\$439,380
Intergovernmental Receipts	29,767	71,304	\$29,228		130,299
Fines, Licenses, and Permits	1,813	13,580			15,393
Earnings on Investments	289	469			758
Miscellaneous	6,158	11,978			18,136
	<u>100,232</u>	<u>474,506</u>	<u>29,228</u>		<u>603,966</u>
Cash Disbursements:					
Current:					
General Government	46,569	26,112			72,681
Public Safety		104,590			104,590
Public Works	605	211,943			212,548
Health	27,986	19,903			47,889
Debt Service:					
Redemption of Principal		20,555			20,555
Interest and Other Fiscal Charges		3,207			3,207
Capital Outlay	237	2,626	29,228		32,091
	<u>75,397</u>	<u>388,936</u>	<u>29,228</u>		<u>493,561</u>
Total Cash Disbursements	<u>75,397</u>	<u>388,936</u>	<u>29,228</u>		<u>493,561</u>
Total Receipts Over/(Under) Disbursements	<u>24,835</u>	<u>85,570</u>			<u>110,405</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		4,000			4,000
Advances-In	8,000	8,000			16,000
Transfers-Out	(4,203)				(4,203)
Advances-Out	(8,000)	(8,000)			(16,000)
	<u>(4,203)</u>	<u>4,000</u>			<u>(203)</u>
Total Other Financing Receipts/(Disbursements)	<u>(4,203)</u>	<u>4,000</u>			<u>(203)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	20,632	89,570			110,202
Fund Cash Balances, January 1	10,856	167,273		336	178,465
Fund Cash Balances, December 31	<u>\$31,488</u>	<u>\$256,843</u>	<u>\$0</u>	<u>\$336</u>	<u>\$288,667</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 TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Fiduciary Fund Types
	Nonexpendable Trust
Operating Cash Receipts:	
Earnings on Investments	\$43
Total Operating Cash Receipts	43
Operating Income/(Loss)	43
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	43
Transfers-In	203
Net Receipts Over/(Under) Disbursements	246
Fund Cash Balances, January 1	3,075
Fund Cash Balances, December 31	\$3,321

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

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Franklin Township, Shelby County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Anna and the City of Sidney Fire Department to provide fire services and the Village of 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values its certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fire District Fund – This fund receives proceeds of a property tax levy for maintaining fire service for the Township.

Cemetery Fund – This fund receives the proceeds of lot sales and related burial fees for upkeep and maintenance of the Cemeteries in the Township.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing 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 a grant from the State of Ohio in 2003 for road work.

4. Fiduciary Funds (Trust Funds)

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Cemetery Bequest Fund – Nonexpendable Trust fund in which amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$361,212	\$289,788
Certificates of deposit	2,200	2,200
Total deposits	363,412	291,988

Deposits: Deposits are 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 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,388	\$192,071	\$16,683
Special Revenue	407,183	461,894	54,711
Fiduciary	0	45	45
Total	\$582,571	\$654,010	\$71,439

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$162,968	\$95,593	\$67,375
Special Revenue	671,526	486,993	184,533
Capital Projects	72	0	72
Fiduciary	3,503	0	3,503
Total	\$838,069	\$582,586	\$255,483

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,713	\$100,232	\$4,519
Special Revenue	524,298	478,506	(45,792)
Capital Projects	30,379	29,228	(1,151)
Fiduciary	0	246	246
Total	\$650,390	\$608,212	(\$42,178)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$106,660	\$79,600	\$27,060
Special Revenue	693,076	388,936	304,140
Capital Projects	30,379	29,228	1,151
Fiduciary	3,320	0	3,320
Total	\$833,435	\$497,764	\$335,671

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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, 2004 was as follows:

	Principal	Interest Rate
General Obligation Notes	20,555	5.20%
Total	\$20,555	

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

The general obligation notes were issued 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
2005	<u>21,624</u>
Total	<u><u>\$21,624</u></u>

6. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Franklin Township
Shelby County
101 Young Street
Anna, Ohio 45302

To the Board of Trustees:

We have audited the financial statements of Franklin Township, Shelby County, (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 15, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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. In a separate letter to the Township's management dated September 15, 2005, we reported other matters involving the internal control over financial reporting we did not deem to be reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 through 2004-003.

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Franklin Township
Shelby County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

In a separate letter to the Township's management dated September 15, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for 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

September 15, 2005

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Finding For Recovery – Repaid Under Audit

Ohio Rev. Code Section 505.601 states that townships are permitted to reimburse a township officer or employee for out-of-pocket premiums for insurance policies. The reimbursement is permitted for a township officer or employee who is denied coverage under a township health care plan established pursuant to Ohio Rev. Code Section 505.60, or who elects not to participate in the township's plan. The reimbursement cannot exceed an amount equal to the average premium paid by the township under the policies it procures.

Roger Schulze, Trustee, chose to receive the health insurance reimbursement. He was reimbursed by Township Check No. 12641 for \$4,182.12 on December 31, 2004 for out of pocket health and dental insurance coverage by Township Clerk, Virginia Schiff. Of the \$4,182.12 reimbursed \$500 was for money contributed into his spouse's health care savings account provided through her employer. The health care spending account is not considered an out-of-pocket premium, and thus is an unallowable expenditure.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended, is hereby rendered against, Roger Schulze, Trustee, and his bonding company, Minster Insurance Company, and Virginia Schiff, Clerk, and her bonding company, Auto Owners Insurance, jointly and severally, in the amount of five hundred dollars (\$500), and in favor of the Franklin Township's General Fund treasury.

Roger Schulze reimbursed the Township \$500 on September 23, 2005, when the matter was brought to his attention.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2004-002
(Continued)**

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 Board of Trustees.

2. **Blanket certificate** – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Sample tests results revealed that seventy six of the transactions tested in 2003 and eight of the transactions tested in 2004 were honored by the fiscal officer rather than declaring them null and void due to lack of certification. In addition, the Issue II expenditures in the amount of \$29,228 were also not prior certified. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Township’s Fiscal Officer certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-003

Bond Retirement Fund

On July 19, 1996, the Board of Township Trustees met and adopted the “Resolution Authorizing the 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 fund.

The Township did not establish the required bond retirement fund and retired principal and interest of \$23,762 in 2003 and \$22,693 in 2004 from the Road and Bridge Fund and the General Fund (for 2004 only), contrary to the above resolution.

The Board should establish the required bond retirement fund to record the retirement of the 1996 note issue.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code Section 505.24 – Finding for adjustment for trustees’ salaries, retirement, and insurance being paid from the road and bridge fund	Corrected	
2002-002	Ohio Rev. Code Section 5705.41(D) – failure to certify the availability of funds prior to entering into purchase obligations.	No	Re-issued as finding 2004-002
2002-003	The Township did not establish the required bond retirement fund as required in the “Resolution Authorizing Issuance and Sale of \$184,995 of Notes”	No	Re-issued as finding 2004-003



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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
NOVEMBER 10, 2005**