



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

**This Page is Intentionally Left Blank.**

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type and Similar Fiduciary Funds - For the Year Ended December 31, 2004 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

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

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 12, 2006

**This page intentionally left blank.**



## 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 year ended December 31, 2004. 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, 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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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 the Township, as of December 31, 2004, and its combined cash receipts and disbursements for the year 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 December 12, 2006, 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

December 12, 2006

**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, 2004**

	<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	\$226,252	\$3,025,879		\$3,252,131
Intergovernmental	282,933	355,243	84,152	722,328
Special Assessments		307		307
Charges for Services		31,125		31,125
Licenses, Permits, and Fees	19,135	6,875		26,010
Fines, Forfeitures, and Penalties		10,925		10,925
Earnings on Investments	32,007			32,007
Other Revenue	7,224	50,431		57,655
	<u>567,551</u>	<u>3,480,785</u>	<u>84,152</u>	<u>4,132,488</u>
<b>Total Cash Receipts</b>				
	<u>567,551</u>	<u>3,480,785</u>	<u>84,152</u>	<u>4,132,488</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	329,951			329,951
Public Safety	307,747	3,066,131		3,373,878
Public Works	14,063	520,081		534,144
Health	70,405			70,405
Capital Outlay	8,075	345,551	84,152	437,778
	<u>730,241</u>	<u>3,931,763</u>	<u>84,152</u>	<u>4,746,156</u>
<b>Total Cash Disbursements</b>				
	<u>730,241</u>	<u>3,931,763</u>	<u>84,152</u>	<u>4,746,156</u>
<b>Total Receipts (Under) Disbursements</b>	<u>(162,690)</u>	<u>(450,978)</u>		<u>(613,668)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Advances-In	50,000	50,000		100,000
Advances-Out	(50,000)	(50,000)		(100,000)
	<u>0</u>	<u>0</u>		<u>0</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>0</u>	<u>0</u>		<u>0</u>
Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(162,690)	(450,978)		(613,668)
<b>Fund Cash Balances, January 1</b>	<u>790,829</u>	<u>2,167,087</u>		<u>2,957,916</u>
<b>Fund Cash Balances, December 31</b>	<u>\$628,139</u>	<u>\$1,716,109</u>	<u>\$0</u>	<u>\$2,344,248</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 - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$171,662		\$171,662
Licenses, Permits & Fees		6,150	6,150
Total Operating Cash Receipts	<u>171,662</u>	<u>6,150</u>	<u>177,812</u>
<b>Operating Cash Disbursements:</b>			
Fringe Benefits	217,791		217,791
Other		6,350	6,350
Total Operating Cash Disbursements	<u>217,791</u>	<u>6,350</u>	<u>224,141</u>
Operating (Loss)	(46,129)	(200)	(46,329)
Fund Cash Balances, January 1	<u>94,687</u>	<u>5,317</u>	<u>100,004</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$48,558</u></u>	<u><u>\$5,117</u></u>	<u><u>\$53,675</u></u>

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

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**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 Shawnee Township, Allen 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, general government services, 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. 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 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 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:

**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 operating of the fire department.

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

**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 Capital Project Fund:

**Issue II Fund** - The Township received a grant from the State of Ohio to replace a culvert on Any Avenue.

**4. 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 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.

**5. Fiduciary Funds**

**Agency Funds**

These funds account for funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Funds:

**Road Performance Bonds** – This fund accounts for monies received as performance bonds for driveway permit fees, roadside tile taps, and construction within the road right of way.

**Fire Escrow** – This fund accounts for monies received from insurance companies for the demolition or repair of private property buildings damaged by fires.

**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.

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(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 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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

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

	<b>2004</b>
Demand deposits	\$2,397,923

**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 year ended December 31, 2004 follows:

<b>2004 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$470,560	\$567,551	\$96,991
Special Revenue	3,610,283	3,480,785	(129,498)
Capital Projects	0	84,152	84,152
Fiduciary	20,000	6,150	(13,850)
Proprietary	102,126	171,662	69,536
Total	\$4,202,969	\$4,310,300	\$107,331

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2004 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$1,143,500	\$730,241	\$413,259
Special Revenue	5,450,965	3,931,763	1,519,202
Capital Projects	0	84,152	(84,152)
Fiduciary	24,550	6,350	18,200
Proprietary	395,000	217,791	177,209
Total	<u>\$7,014,015</u>	<u>\$4,970,297</u>	<u>\$2,043,718</u>

The Township did not obtain an amended certificate of estimated resources or appropriate the Issue II money spent on behalf of the Township. Since the Township did not actually receive and expend this money there was not a negative budgetary impact

The Township recorded some restricted revenue in the wrong fund which violated Ohio Revised Code Section 5705.10.

**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. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 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, 2004.

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**6. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 townships 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 occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$70,760. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Township Contributions to OTARMA</u>	
2003	\$32,775
2004	\$32,995
2005	\$37,111

**7. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**8. 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 Cemetery is directed by a three-member Board of Trustees appointed by the Shawnee Township Trustees. The Cemetery maintains the township cemetery and provides ground maintenance, opening and closings of graves, and the sale of grave lots.

Financial information was not available at the time of this report.

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 Missy VanMeter, Shawnee Township, 2530 Ft. Amanda Road, Lima, Ohio 45804.

**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 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.

**10. SHAWNEE INDUSTRIAL NEIGHBORHOOD GROUP**

The Township is involved in an organization that consists of itself and eight local industrial partners. They gather once a year to determine the needs of the Township fire department. Each partner will then donate an equal amount to the Township in order to meet the needs. The proceeds were originally used to purchase foam for the fire department, but the inventory is high so that other needs are currently being addressed. The foam inventory is being maintained at the Township fire department.

**This page intentionally left blank.**



## 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*

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

To the Board of Trustees:

We have audited the financial statements of Shawnee Township (the Township) as of and for the year ended December 31, 2004, and have issued our report thereon dated December 12, 2006, 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 material weaknesses. In a separate letter to the Township's management dated December 12, 2006, we reported other matters involving internal control over financial reporting we did not deem 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 2004-002. In a separate letter to the Township's management dated December 12, 2006, we reported other matters related to noncompliance we deemed immaterial.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

December 12, 2006

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

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

**FINDING NUMBER 2004-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.10** states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2004, the Fiscal Officer recorded \$200 of a road performance bond and \$50 of a related fee to the Fire Escrow Fund instead of to the Road Performance Bond Fund and the Road and Bridge Fund. In addition, the Fiscal Officer recorded \$650 of road performance bonds to the Road and Bridge Fund instead of to the Road Performance Bond Fund. Also, the Fiscal Officer recorded \$10,402 in homestead and rollback settlements belonging to the Police District Fund instead of the Fire District Fund. The Township has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts in the funds. The required adjustments had the following effect upon the respective funds

2004	Fire Escrow Fund	Road Performance Bond Fund	Road and Bridge Fund	Police District Fund	Fire District Fund
Road Performance Bond	\$250	(\$200)	(\$50)		
Road Performance Bond		(\$650)	\$650		
Homestead and Rollback				(\$10,402)	\$10,402

The Township should periodically review financial records to help assure all receipts are correctly classified and have been recorded in the correct fund.

**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.

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

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 County can authorize the drawing of a warrant for the payment of the amount due. The County has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 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.

2. **Blanket certificate** – Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not 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.

Thirty-five percent of the transactions tested were honored by the Fiscal Officer rather than declaring them null and void due to lack of certification. Further, the Township did not properly certify the availability of funds prior to purchase commitment for one of the contracts that was entered into and there was no evidence that the Township followed the aforementioned exceptions. 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.

The Township should 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.

**OFFICIAL’S RESPONSE**

We did not receive a response from Officials to these findings.

**SHAWNEE TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	ORC Sec. 5705.40 – Supplemental and amended appropriations entered into the UAN system were not approved by the Board.	Yes	
2003-002	ORC Sec. 5705.41(B) – Expenditures exceeded appropriations for various funds.	Yes	
2003-003	ORC Sec. 5705.41(D) – Expenditures were not prior certified	No	Repeated as finding 2004-002





**Mary Taylor, CPA**  
Auditor of State

**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  
JANUARY 18, 2007**