

**FRANKLIN TOWNSHIP**

DAYTON REGION, SHELBY COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Franklin Township  
11095 County Road 25A  
Sidney, Ohio 45365

We have reviewed the *Independent Accountants' Report* of Franklin Township, Shelby County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Franklin Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

March 7, 2008

**This Page is Intentionally Left Blank.**

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report	1 – 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2006	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2005	5
Notes to the Financial Statements	6 – 10
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	12 – 13
Schedule of Findings	14 – 18
Schedule of Prior Audit Findings	19

**MANNING & ASSOCIATES CPAS, LLC  
6105 NORTH DIXIE DRIVE  
DAYTON, OHIO 45414**

**INDEPENDENT ACCOUNTANTS' REPORT**

Franklin Township  
Shelby County  
1801 Bulle Road  
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Shelby County, (the Township), as of and for the years ended December 31, 2006 and 2005. 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. We believe that 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.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position for the years 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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 a report dated September 21, 2007, 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.

Manning & Associates CPAs, LLC  
Dayton, Ohio

September 21, 2007

**This page intentionally left blank**

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	GOVERNMENTAL FUND TYPES			Total (Memorandum Only)
	General	Special Revenue	Permanent	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 115,057	\$ 367,867	\$ 0	482,924
Licenses, Permits and Fees	13,585	17,724	0	31,309
Intergovernmental Receipts	46,541	94,696	0	141,237
Earnings on Investments	1,650	855	62	2,567
Miscellaneous	6,004	9,769	0	15,773
<b>Total Cash Receipts</b>	<u>182,837</u>	<u>490,911</u>	<u>62</u>	<u>673,810</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	63,097	26,794	0	89,891
Public Safety	0	113,630	0	113,630
Public Works	607	243,048	0	243,655
Health	26,541	23,332	0	49,873
Capital Outlay	111,649	2,713	0	114,362
<b>Total Cash Disbursements</b>	<u>201,894</u>	<u>409,517</u>	<u>0</u>	<u>611,411</u>
<b>Total Receipts Over/(Under) Disbursements</b>	(19,057)	81,394	62	62,399
<b>Fund Cash Balances, January 1</b>	<u>222,856</u>	<u>312,656</u>	<u>3,400</u>	<u>538,912</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 203,799</u>	<u>\$ 394,050</u>	<u>\$ 3,462</u>	<u>601,311</u>

The Notes to the Financial Statements are an integral part of this statement.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	GOVERNMENTAL FUND TYPES			Total (Memorandum Only)
	General	Special Revenue	Permanent	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 129,563	\$ 419,237	\$ 0	548,800
Licenses, Permits and Fees	3,784	13,877	0	17,661
Intergovernmental Receipts	51,036	100,021	0	151,057
Earnings on Investments	1,338	398	34	1,770
Miscellaneous	0	11,520	0	11,520
<b>Total Cash Receipts</b>	<u>185,721</u>	<u>545,053</u>	<u>34</u>	<u>730,808</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	57,612	34,103	0	91,715
Public Safety	0	127,246	0	127,246
Public Works	605	262,925	0	263,530
Health	31,806	19,282	0	51,088
Capital Outlay	818	366	0	1,184
Debt Service:				
Redemption of Principal	0	20,555	0	20,555
<b>Total Cash Disbursements</b>	<u>90,841</u>	<u>464,477</u>	<u>0</u>	<u>555,318</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>94,880</u>	<u>80,576</u>	<u>34</u>	<u>175,490</u>
<b>Other Financing Receipts/Disbursements</b>				
Sale of Fixed Assets	10	0	0	10
<b>Total Other Financing Receipts/(Disbursements)</b>	10	0	0	10
<b>Other Financing Disbursements</b>	<u>94,890</u>	<u>80,576</u>	<u>34</u>	<u>175,500</u>
<b>Fund Cash Balances, January 1</b>	<u>127,966</u>	<u>232,080</u>	<u>3,366</u>	<u>363,412</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 222,856</u>	<u>\$ 312,656</u>	<u>\$ 3,400</u>	<u>538,912</u>

The Notes to the Financial Statements are an integral part of this statement.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

---

**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, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Township 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 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'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 deposits 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.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

---

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds:**

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

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

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

**Motor Vehicle License Tax Fund** – This fund receives license tax money to pay for constructing, maintaining, and repairing Township roads.

**Fire District Fund** – This fund receives proceeds from the property tax fire levy for providing fire and emergency services protection to Township residents.

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

**3. Permanent 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 permanent funds:

**Cemetery Bequest Fund** – 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 (except certain agency funds) be budgeted annually.

**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.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

---

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

**E. Budgetary Process (Continued)**

**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.

**Encumbrances**

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

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

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$599,111	\$536,712
Certificates of Deposit	2,200	2,200
Total deposits	<u>\$601,311</u>	<u>\$538,912</u>

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

**FRANKLIN TOWNSHIP**  
**SHELBY COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

---

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2006 was as follows:

**2006 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 146,777	\$ 182,837	\$ 36,060
Special Revenue	479,741	490,911	11,170
Permanent	100	62	(38)
Total	<u>\$ 626,618</u>	<u>\$ 673,810</u>	<u>\$ 47,192</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 369,634	\$ 201,894	\$ 167,740
Special Revenue	792,397	409,517	382,880
Permanent	3,499	0	3,499
Total	<u>\$ 1,165,530</u>	<u>\$ 611,411</u>	<u>\$ 554,119</u>

Budgetary activity for the year ending December 31, 2005 was as follows:

**2005 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 141,000	\$ 185,731	\$ 44,731
Special Revenue	457,181	545,053	87,872
Permanent	0	34	34
Total	<u>\$ 598,181</u>	<u>\$ 730,818</u>	<u>\$ 132,637</u>

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 268,966	\$ 90,841	\$ 178,125
Special Revenue	689,261	464,477	224,784
Permanent	3,366	0	3,366
Total	<u>\$ 961,593</u>	<u>\$ 555,318</u>	<u>\$ 406,275</u>

Contrary to Ohio law, budgeted receipts exceeded actual receipts in 2006 for the Road & Bridge, Fire Levy, and Rescue Levy Funds by \$6,516, 1,944 and \$1,066, and in 2005 in the MVL, Fire Levy, and Rescue Funds by \$4,036, \$1,733 and \$1,086, respectively. ORC. 5705.36 allows subdivision to request increase/decrease amended certificates upon determination revenue will be less than certificate of estimated resources.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

---

**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 make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. DEBT**

The Township had a general obligation note that was issued to finance the building of a new Township hall. The note was paid in full during the audit period.

**6. RETIREMENT SYSTEMS**

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS.) OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

OPERS members contributed 9% and 8.5% of their gross salaries for 2006 and 2005, respectively. The Township contributes an amount equal to 13.7% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Township has paid all contributions required through December 31, 2006.

**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.

**This page intentionally left blank**

**MANNING & ASSOCIATES CPAS, LLC  
6105 NORTH DIXIE DRIVE  
DAYTON, OHIO 45414**

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

Franklin Township  
Shelby County  
8347 State Route 705  
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the financial statements of the Franklin Township, Shelby County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 21, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-consequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting findings number 2006-003 through 2006-007.

### **Internal Control Over Financial Reporting, (continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-003, 2006-006, and 2006-007 are also material weaknesses.

We noted certain matters that we reported to the Township's management in a separate letter dated September 21, 2007.

### **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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-002.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated September 21, 2007.

We intend this report solely for the information and use of the management and the Board of Trustees. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

September 21, 2007

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

---

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2006-001**

**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 it 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. 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.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

---

**FINDING 2006-001, (continued)**

Our test results revealed that 100 percent of the transactions tested in 2005 and 2006 were certified with “Then and Now” certificates. This includes transactions involving amounts greater than the \$3,000 limit for “Then and Now” certificates. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances. Additionally, two checks were issued for amounts over what was authorized by the corresponding Purchase Order.

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 can be used, but only to the amounts set above.

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. The Fiscal Officer should also ensure that the amount of the check does not differ from the amount authorized by the corresponding Purchase Order.

Response: Fiscal Officer will review PO’s and use of proper PO’s in for the future.

**FINDING NUMBER 2006-002**

**Ohio Rev. Code Section 5705.36 (A)(3)** allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Township did not obtain an amended certificate of estimated resources for the following fund that had actual revenues less than estimated revenues.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2006-002, (continued)**

The Township did not obtain an amended certificate of estimated resources for the following fund that had actual revenues less than estimated revenues.

Estimated resources exceeded actual receipts in the following funds:

	<u>Estimated Revenue</u>	<u>Revenue Received</u>	<u>Variance</u>
<b>2006</b>			
Road & Bridge Fund	\$268,515	\$261,999	(\$6,516)
Fire Levy Fund	\$70,131	\$68,187	(\$1,944)
Rescue Levy Fund	\$45,095	\$44,029	(\$1,066)
<b>2005</b>			
MVL Tax Fund	\$12,360	\$8,324	(\$4,036)
Fire Levy Fund	\$81,285	\$79,552	(\$1,733)
Rescue Levy Fund	\$51,841	\$50,755	(\$1,086)

Failure to amend the certificate of estimated resources when actual revenue is less than expected (estimated) revenue could result in the Township incurring expenditures in excess of actual available resources.

Response: Fiscal Officer will monitor budgetary compliance more closely in the future, and utilize the UAN system for budgetary reporting.

**FINDING NUMBER 2006-003**

**Check sequence and voided checks**

There were several instances noted in both 2006 and 2005 where the check numbers for various expenditures per the appropriation ledger did not agree to the actual check numbers on the canceled checks. This was due to the improper loading of checks when they were printed. There were also several instances in both years noted where various numbers of checks were voided and reissued with no adjustments made to reflect the new check numbers. Failure to print checks in sequence with the UAN system could lead to errors and irregularities that could go undiscovered in the normal course of business.

Response: The Fiscal Officer will verify the check numbers are correct before being loaded and printed.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

---

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2006-004**

**Reporting of Budgetary Data**

The Township receives an Official Certificate of Estimated Resources from the County Budget Commission. The amount of estimated resources from each fund should then be entered into the budgetary accounting system and used to generate reports for the Board of Trustees to monitor budgeted to actual revenue throughout the year.

The Fiscal Officer did not enter estimated receipts into the accounting system for 2006 or 2005. In order for the budgetary reports generated on the accounting system to accurately reflect the position of the Township's funds, the budgetary amounts entered into the system should agree to the legislatively approved amounts. Unavailability or inaccuracy if the data entered into the system limits the reliability of controls that the budgetary reports provide the Board. Procedures should be implemented to verify that information entered into the system agrees to legislatively approved amounts.

Response: The Fiscal Officer will enter approved budgetary information into the UAN system.

**FINDING NUMBER 2006-005**

**Timely processing of invoices**

There were several instances of late fees being assessed against the Township for the late payment of expenditures. To avoid these fees and to present an accurate financial picture each month, the Fiscal Officer should process expenditures on a timely basis.

Response: The Fiscal Officer will make every effort to pay invoices by their due dates.

**FINDING NUMBER 2006-006**

**Maintaining support for expenditures**

There were various expenditures in 2006 and 2005 that were not supported by invoices. Credit card statements were not always accompanied by original receipts. Failure to maintain original supporting documentation could lead to expenditures being made to fictitious vendors and for items that are not considered a proper public purchase. We noted payments to TerraCon Construction in the amount \$111,499 for which no invoices were available. Failure to maintain documentation indicates noncompliance with Ohio Revised Code section 149.42 and 149.43. It was determined the engineering firm in charge of the project has the original invoices.

The Township should retain all documentation and attach original invoices to the voucher packet before being paid. Credit card statements should also be supported by original receipts, not just statements. This will help ensure that all expenditures are legitimate and are for a proper public purchase.

Response: The Fiscal Officer will ensure that expenditures are properly supported.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

---

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2006-007**

**Township Books and Records**

**Ohio Admin Code Section 117-2** provides that the Township Fiscal Officer shall keep the books of the Township; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, Ohio Admin Code Section 117-2-02(A) states that all public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code. The following items were noted:

- **Improper posting of revenues and expenses** - Certain receipts and disbursements were not properly classified on the annual financial reports for 2006 and 2005. These items required adjustments to properly present the activity of the Township.
  1. The Township received FEMA funds in 2005. The amounts received were not properly reported to a Special FEMA Fund. In addition the revenue was posted to charges for services instead of intergovernmental in the amount of \$9668. The Township should follow the guidance outlined in Auditor of State Bulletin when receiving FEMA funds.
  2. Cemetery Bequest interest was not posted to correct fund in 2006 or 2005.
  3. The Cemetery Bequest fund should be classified as a permanent fund, not a special revenue fund since the principal is restricted.
  4. In 2005, debt payment of \$20,555 was classified as capital outlay instead of redemption of principal.

The misclassifications on the annual financial report fail to present an accurate accounting of the financial status of the Township and can mislead the users of the report.

Response: The Fiscal Officer will review the account code classifications and Township handbook.

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2006 AND 2005**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID; <i><b>EXPLAIN:</b></i>
2004-001	Ohio Rev Code Section 505.601 Reimbursement of non out-of-pocket health insurance premium	Yes	Trustee made restitution during prior audit.
2004-002	Ohio Rev Code Section 5705.41(D) Failure to certify the availability of funds prior to entering into purchase obligations	No	Reissued as 2006-001
2004-003	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	Reissued as 2006-002



**Mary Taylor, CPA**  
Auditor of State

**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  
MARCH 20, 2008**