



**Auditor of State  
Betty Montgomery**



FRANKLIN TOWNSHIP  
SHELBY COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Shelby County, (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

During 2002 and 2001, the Township expended \$47,807 and \$49,072, respectively for Trustee salaries, retirement, insurance, and employee surety bonds. The expenditures were posted to the Township's Road and Bridge - Special Revenue Fund. Per Section 505.24 of the Revised Code, the Township should compensate trustees from the General Fund or other funds by a reasonable basis as set by resolution. Had the amounts been properly expended from the General Fund, the effect would have been to increase the cash balance of the Road and Bridge Fund by \$96,879 to \$247,252 and to decrease the cash balance of the General Fund by \$96,879 to a deficit of \$86,024 as of December 31, 2002.

In our opinion, except for the matter referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 10, 2003

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

|                                                                                                                              | <u>Governmental Fund Types</u> |                            | <u>Fiduciary<br/>Funds</u>            | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------|---------------------------------------|-----------------------------------------|
|                                                                                                                              | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Expendable<br/>Trust<br/>Funds</u> |                                         |
| <b>Cash Receipts:</b>                                                                                                        |                                |                            |                                       |                                         |
| Local Taxes                                                                                                                  | \$14,466                       | \$378,537                  |                                       | \$393,003                               |
| Intergovernmental                                                                                                            | 55,925                         | 73,849                     |                                       | 129,774                                 |
| Licenses, Permits, and Fees                                                                                                  | 7,085                          | 11,207                     |                                       | 18,292                                  |
| Earnings on Investments                                                                                                      | 371                            | 1,467                      |                                       | 1,838                                   |
| Other Revenue                                                                                                                |                                | 7,987                      |                                       | 7,987                                   |
|                                                                                                                              |                                |                            |                                       |                                         |
| Total Cash Receipts                                                                                                          | <u>77,847</u>                  | <u>473,047</u>             |                                       | <u>550,894</u>                          |
| <b>Cash Disbursements:</b>                                                                                                   |                                |                            |                                       |                                         |
| Current:                                                                                                                     |                                |                            |                                       |                                         |
| General Government                                                                                                           | 37,500                         |                            |                                       | 37,500                                  |
| Public Safety                                                                                                                |                                | 86,633                     |                                       | 86,633                                  |
| Public Works                                                                                                                 | 605                            | 421,490                    |                                       | 422,095                                 |
| Health                                                                                                                       | 24,077                         | 31,198                     |                                       | 55,275                                  |
| Debt Service:                                                                                                                |                                |                            |                                       |                                         |
| Redemption of Principal and Interest                                                                                         |                                | 22,693                     |                                       | 22,693                                  |
| Capital Outlay                                                                                                               | 34                             | 3,613                      |                                       | 3,647                                   |
|                                                                                                                              |                                |                            |                                       |                                         |
| Total Cash Disbursements                                                                                                     | <u>62,216</u>                  | <u>565,627</u>             |                                       | <u>627,843</u>                          |
| Total Receipts Over/(Under) Disbursements                                                                                    | <u>15,631</u>                  | <u>(92,580)</u>            |                                       | <u>(76,949)</u>                         |
| <b>Other Financing Receipts and (Disbursements):</b>                                                                         |                                |                            |                                       |                                         |
| Transfers-In                                                                                                                 |                                | 13,000                     |                                       | 13,000                                  |
| Sale of Fixed Assets                                                                                                         |                                | 6,695                      |                                       | 6,695                                   |
| Transfers-Out                                                                                                                | (13,000)                       |                            |                                       | (13,000)                                |
| Other Sources                                                                                                                | 2,653                          |                            |                                       | 2,653                                   |
|                                                                                                                              |                                |                            |                                       |                                         |
| Total Other Financing Receipts/(Disbursements)                                                                               | <u>(10,347)</u>                | <u>19,695</u>              |                                       | <u>9,348</u>                            |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | 5,284                          | (72,885)                   |                                       | (67,601)                                |
| Fund Cash Balances, January 1                                                                                                | <u>5,571</u>                   | <u>239,664</u>             | <u>338</u>                            | <u>245,573</u>                          |
| <b>Fund Cash Balances, December 31</b>                                                                                       | <b><u>\$10,855</u></b>         | <b><u>\$166,779</u></b>    | <b><u>\$338</u></b>                   | <b><u>\$177,972</u></b>                 |

*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 BALANCE - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

|                                       | <b>Fiduciary<br/>Fund Type</b> |
|---------------------------------------|--------------------------------|
|                                       | <b>Nonexpendable<br/>Trust</b> |
| <b>Operating Cash Receipts:</b>       |                                |
| Earnings on Investments               | \$109                          |
| Total Operating Cash Receipts         | 109                            |
| Total Operating Cash Disbursements    |                                |
| Operating Income/(Loss)               | 109                            |
| Fund Cash Balance, January 1          | 2,967                          |
| <b>Fund Cash Balance, December 31</b> | <b>\$3,076</b>                 |

*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 SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

|                                                                                                                              | <u>Governmental Fund Types</u> |                            | <u>Fiduciary<br/>Funds</u>            | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------|---------------------------------------|-----------------------------------------|
|                                                                                                                              | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Expendable<br/>Trust<br/>Funds</u> |                                         |
| <b>Cash Receipts:</b>                                                                                                        |                                |                            |                                       |                                         |
| Local Taxes                                                                                                                  | \$12,626                       | \$329,562                  |                                       | \$342,188                               |
| Intergovernmental                                                                                                            | 34,937                         | 67,175                     |                                       | 102,112                                 |
| Licenses, Permits, and Fees                                                                                                  | 4,013                          | 12,898                     |                                       | 16,911                                  |
| Earnings on Investments                                                                                                      | 817                            | 1,045                      | 192                                   | 2,054                                   |
| Other Revenue                                                                                                                | 395                            | 19,623                     |                                       | 20,018                                  |
|                                                                                                                              | <u>52,788</u>                  | <u>430,303</u>             | <u>192</u>                            | <u>483,283</u>                          |
| <b>Total Cash Receipts</b>                                                                                                   |                                |                            |                                       |                                         |
| <b>Cash Disbursements:</b>                                                                                                   |                                |                            |                                       |                                         |
| Current:                                                                                                                     |                                |                            |                                       |                                         |
| General Government                                                                                                           | 38,866                         |                            |                                       | 38,866                                  |
| Public Safety                                                                                                                |                                | 77,353                     |                                       | 77,353                                  |
| Public Works                                                                                                                 | 605                            | 287,515                    |                                       | 288,120                                 |
| Health                                                                                                                       | 24,829                         | 32,929                     | 15,300                                | 73,058                                  |
| Debt Service:                                                                                                                |                                |                            |                                       |                                         |
| Redemption of Principal and Interest                                                                                         |                                | 23,227                     |                                       | 23,227                                  |
| Capital Outlay                                                                                                               |                                | 4,892                      |                                       | 4,892                                   |
|                                                                                                                              | <u>64,300</u>                  | <u>425,916</u>             | <u>15,300</u>                         | <u>505,516</u>                          |
| <b>Total Cash Disbursements</b>                                                                                              |                                |                            |                                       |                                         |
| Total Receipts Over/(Under) Disbursements                                                                                    | <u>(11,512)</u>                | <u>4,387</u>               | <u>(15,108)</u>                       | <u>(22,233)</u>                         |
| <b>Other Financing Receipts and (Disbursements):</b>                                                                         |                                |                            |                                       |                                         |
| Other Sources                                                                                                                | 1,190                          |                            |                                       | 1,190                                   |
| <b>Total Other Financing Receipts/(Disbursements)</b>                                                                        | <u>1,190</u>                   |                            |                                       | <u>1,190</u>                            |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | (10,322)                       | 4,387                      | (15,108)                              | (21,043)                                |
| Fund Cash Balances, January 1                                                                                                | <u>15,893</u>                  | <u>235,277</u>             | <u>15,446</u>                         | <u>266,616</u>                          |
| <b>Fund Cash Balances, December 31</b>                                                                                       | <u><b>\$5,571</b></u>          | <u><b>\$239,664</b></u>    | <u><b>\$338</b></u>                   | <u><b>\$245,573</b></u>                 |

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

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

|                                         | Fiduciary<br>Fund Type |            | Totals<br>(Memorandum<br>Only) |
|-----------------------------------------|------------------------|------------|--------------------------------|
|                                         | Nonexpendable<br>Trust | Agency     |                                |
| <b>Operating Cash Receipts:</b>         |                        |            |                                |
| Earnings on Investments                 | \$94                   |            | \$94                           |
| Total Operating Cash Receipts           | 94                     |            | 94                             |
| <b>Operating Cash Disbursements:</b>    |                        |            |                                |
| Contractual Services                    |                        | 51,823     | 51,823                         |
| Total Operating Cash Disbursements      |                        | 51,823     | 51,823                         |
| Operating Income/(Loss)                 | 94                     | (51,823)   | (51,729)                       |
| <b>Non-Operating Cash Receipts:</b>     |                        |            |                                |
| Intergovernmental Receipts              |                        | 51,823     | 51,823                         |
| Total Non-Operating Cash Receipts       |                        | 51,823     | 51,823                         |
| Net Receipts Over/(Under) Disbursements | 94                     |            | 94                             |
| Fund Cash Balance, January 1            | 2,873                  |            | 2,873                          |
| <b>Fund Cash Balance, December 31</b>   | <b>\$2,967</b>         | <b>\$0</b> | <b>\$2,967</b>                 |

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

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Franklin Township, Shelby County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township utilizes the Shelby County Sheriff's Department to provide security of persons and property and contracts with the Village of Anna and the City of Sidney Fire Departments to provide fire services and the 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The District maintained a checking account and certificates of deposit during the audit period which are valued at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (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, 2002 AND 2001  
(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 permissive motor vehicle tax money for constructing, maintaining, and repairing the Township’s roads.

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

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

**3. Fiduciary Funds (Trust and Agency Funds)**

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

**Cemetery Fund # 2** – Expendable trust fund in which amounts are used for cemetery upkeep.

**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.

**Agency Fund** – This fund received money from another township for its share of road repairs and maintenance.

**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, 2002 AND 2001  
(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 expenditure commitments during 2002 and 2001 as required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

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

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

|                         | 2002      | 2001      |
|-------------------------|-----------|-----------|
| Demand deposits         | \$178,848 | \$246,340 |
| Certificates of deposit | 2,200     | 2,200     |
| Total deposits          | \$181,048 | \$248,540 |

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

| 2002 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$96,091             | \$80,501           | (\$15,590) |
| Special Revenue                   | 490,302              | 492,743            | 2,441      |
| Fiduciary                         | 309                  | 109                | (200)      |
| Total                             | \$586,702            | \$573,353          | (\$13,349) |

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|-------------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type                                             | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General                                               | \$104,645                  | \$75,216                  | \$29,429  |
| Special Revenue                                       | 729,964                    | 565,627                   | 164,337   |
| Fiduciary                                             | 3,629                      | 0                         | 3,629     |
| Total                                                 | \$838,238                  | \$640,843                 | \$197,395 |

| 2001 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$53,057             | \$53,978           | \$921     |
| Special Revenue                   | 437,350              | 430,303            | (7,047)   |
| Fiduciary                         | 52,423               | 52,109             | (314)     |
| Total                             | \$542,830            | \$536,390          | (\$6,440) |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|-------------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type                                             | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General                                               | \$68,950                   | \$64,300                  | \$4,650   |
| Special Revenue                                       | 672,627                    | 425,916                   | 246,711   |
| Fiduciary                                             | 70,750                     | 67,123                    | 3,627     |
| Total                                                 | \$812,327                  | \$557,339                 | \$254,988 |

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**FRANKLIN TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2002 was as follows:

|                          | Principal | Interest Rate |
|--------------------------|-----------|---------------|
| General Obligation Notes | 61,665    | 5.20%         |

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:

|                          | General<br>Obligation<br>Notes |
|--------------------------|--------------------------------|
| Year ending December 31: |                                |
| 2003                     | 23,762                         |
| 2004                     | 22,693                         |
| 2005                     | 21,624                         |
| Total                    | \$68,079                       |

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Township has paid all contributions required through December 31, 2002.

**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.

The Township also provides health insurance coverage to the Cemetery Sexton and elected officials through a private carrier.

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**Auditor of State  
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Shelby County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 10, 2003, in which we qualified our opinion for amounts charged to the Road and Bridge Fund rather than the General Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 10, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 10, 2003.

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

This report is intended solely for the information and use of the management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 10, 2003

FRANKLIN TOWNSHIP  
SHELBY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

**Finding for Adjustment**

**Ohio Rev. Code Section 505.24** states trustees shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution.

During 2001 and 2002, the Township expended 100 percent of trustee salaries, retirement, insurance, and surety bonds costs from the road and bridge fund. The total amount expended for these items totaled \$47,807 and \$49,072 in 2002 and 2001, respectively.

The Township should adopt by formal resolution a reasonable method to allocate the expenditures to other funds based on work performed. The Township should not purchase surety bonds from the road and bridge fund, but rather from the general fund.

In accordance with the above, we hereby issue a finding for adjustment against the Township's General Fund in favor of the Township's Road and Bridge Fund in the amount of \$96,879.

FINDING NUMBER 2002-002

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

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

Our disbursement testing indicated that 70 percent of the 2002 expenditures and 90 percent of the 2001, expenditures were not certified prior to the Township incurring the obligation and the above exception was not utilized. The failure to certify obligations prior to incurring the obligation could result in negative fund balances and/or deficit spending by the Township.

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

**FINDING NUMBER 2002-003**

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

The Township did not establish the required bond retirement fund and retired principal and interest of \$25,899 in 2001 and \$24,830 in 2002, from the Road and Bridge Fund, contrary to the above resolution.

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



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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  
AUGUST 14, 2003**