



**Auditor of State
Betty Montgomery**

FRANKLIN TOWNSHIP
MERCER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	15
Schedule of Prior Audit Findings	16

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Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS

Franklin Township
Mercer County
7721 State Route 219
Celina, OH 45822

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 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 accounting principles generally accepted in the United States of America.

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, 2003 and December 31, 2002, and its combined cash receipts and disbursements and reserves for encumbrances 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 November 4, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Franklin Township
Mercer County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board 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

November 4, 2004

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$24,176	\$145,371	\$37,413	\$206,960
Intergovernmental	65,352	86,363	194,855	346,570
Charges for Services	18,396			18,396
Licenses, Permits, and Fees	9,374	5,360		14,734
Earnings on Investments	1,446	164		1,610
Other Revenue	221	100	7,000	7,321
	<u>118,965</u>	<u>237,358</u>	<u>239,268</u>	<u>595,591</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	85,829	4,940		90,769
Public Safety	4,800	58,876	836	64,512
Public Works	36,617	119,539		156,156
Health	11,779			11,779
Conservation - Recreation	17,773			17,773
Debt Service:				
Redemption of Principal		50,676	25,500	76,176
Interest and Fiscal Charges		2,119		2,119
Capital Outlay	5,000	10,000	148,203	163,203
	<u>161,798</u>	<u>246,150</u>	<u>174,539</u>	<u>582,487</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(42,833)</u>	<u>(8,792)</u>	<u>64,729</u>	<u>13,104</u>
Other Financing Receipts and (Disbursements):				
Sale of Notes		40,000		40,000
Transfers-In			6,300	6,300
Advances-In	79,510		25,200	104,710
Transfers-Out	(6,300)			(6,300)
Advances-Out	(25,200)		(79,510)	(104,710)
Other Sources		5,825		5,825
	<u>48,010</u>	<u>45,825</u>	<u>(48,010)</u>	<u>45,825</u>
Total Other Financing Receipts/(Disbursements)				
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,177	37,033	16,719	58,929
Fund Cash Balances, January 1	<u>4,581</u>	<u>47,307</u>	<u>51,595</u>	<u>103,483</u>
Fund Cash Balances, December 31	<u><u>\$9,758</u></u>	<u><u>\$84,340</u></u>	<u><u>\$68,314</u></u>	<u><u>\$162,412</u></u>
Reserve for Encumbrances, December 31	<u><u>\$8</u></u>	<u><u>\$70</u></u>	<u><u>\$0</u></u>	<u><u>\$78</u></u>

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

**FRANKLIN TOWNSHIP
MERCER COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$23,148	\$142,405	\$38,269	\$203,822
Intergovernmental	114,733	84,691	182,763	382,187
Charges for Services	18,155			18,155
Licenses, Permits, and Fees	9,672	4,820		14,492
Earnings on Investments	2,397	135		2,532
Other Revenue	2,721	600		3,321
	<u>170,826</u>	<u>232,651</u>	<u>221,032</u>	<u>624,509</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	87,505	4,931		92,436
Public Safety	22,633	56,502	837	79,972
Public Works	53,974	158,279		212,253
Health	9,599			9,599
Conservation - Recreation	3,231			3,231
Debt Service:				
Redemption of Principal		91,353	34,000	125,353
Interest and Fiscal Charges		4,463		4,463
Capital Outlay	1,000	2,400	174,709	178,109
	<u>177,942</u>	<u>317,928</u>	<u>209,546</u>	<u>705,416</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(7,116)</u>	<u>(85,277)</u>	<u>11,486</u>	<u>(80,907)</u>
Other Financing Receipts and (Disbursements):				
Sale of Notes		50,000		50,000
Transfers-In	50,000	35,250	20,890	106,140
Advances-In	88,983		86,260	175,243
Transfers-Out	(56,140)	(50,000)		(106,140)
Advances-Out	(86,260)		(88,983)	(175,243)
	<u>(3,417)</u>	<u>35,250</u>	<u>18,167</u>	<u>50,000</u>
Total Other Financing Receipts/(Disbursements)				
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,533)	(50,027)	29,653	(30,907)
Fund Cash Balances, January 1	<u>15,114</u>	<u>97,334</u>	<u>21,942</u>	<u>134,390</u>
Fund Cash Balances, December 31	<u><u>\$4,581</u></u>	<u><u>\$47,307</u></u>	<u><u>\$51,595</u></u>	<u><u>\$103,483</u></u>

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

**FRANKLIN TOWNSHIP
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Franklin Township, Mercer 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 contracts with the Montezuma Community Fire Company, Inc. to provide fire services and Mercer County Ambulance Service 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

Investments are included in fund cash balances.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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.

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

**FRANKLIN TOWNSHIP
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project funds

Zuma Trail Bridge to 219 Fund (FY02 only): The Township received a grant from Ohio Public Works Commission for the Bike/Walking Trail Project.

Public Works Commission Fund (FY03 only): The Township received a grant from Ohio Public Works Commission for the 2003 road project.

Industrial Park Drive Fund (FY03 only): The Township received a grant from Ohio Public Works Commission for the expansion of the Industrial Park Drive

Prairie Creek Nature Park Fund (FY03 only): The Township received a grant from Ohio Public Works Commission to assist in the purchase of forty acres of land

Fire Equipment Fund: This fund received property tax and a State Fire Marshal Revolving Loan for the purchase of a fire truck.

Franklin Township Park Fund: The Township received a grant from the Ohio Department of Natural Resources and Ohio Public Works Commission for the Nature Park Project

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.

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 2003 and 2002 budgetary activity appears in Note 3.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

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:

	2003	2002
Demand deposits	\$26,679	\$9,431
STAR Ohio	135,733	94,052
Total deposits and investments	\$162,412	\$103,483

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,862	\$118,965	\$103
Special Revenue	283,178	283,183	5
Capital Projects	264,727	245,568	(19,159)
Total	\$666,767	\$647,716	(\$19,051)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$170,288	\$168,106	\$2,182
Special Revenue	287,188	246,220	40,968
Capital Projects	634,961	174,539	460,422
Total	\$1,092,437	\$588,865	\$503,572

**FRANKLIN TOWNSHIP
MERCER COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$220,826	\$220,826	\$0
Special Revenue	317,901	317,901	0
Capital Projects	241,922	241,922	0
Total	\$780,649	\$780,649	\$0

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$330,571	\$234,082	\$96,489
Special Revenue	380,171	367,928	12,243
Capital Projects	209,546	209,546	0
Total	\$920,288	\$811,556	\$108,732

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.

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

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Township Building Improvement Note	\$40,000	3.75%
Ohio Public Works Commission (OPWC) Loan	4,059	0.00%
State Fire Marshal Revolving Loan	42,500	0.00%
Total	\$86,559	

The building improvement note was issued to finance the expansion of the Township Building to house Township equipment. The note is renewed each year.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

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

5. DEBT (Continued)

The OPWC Loan was issued during 2001 to finance a portion of the Windy Point Widening and Resurfacing Project.

The State Fire Marshal Revolving Loan was issued during 2000 to finance the purchase of a fire truck.

Amortization of the above debt, including interest, is scheduled as follows:

	Ownership Building Improvement Note	OPWC Loan	State Fire Marshal Revolving Loan
Year ending December 31:			
2004	\$41,500	\$677	\$42,500
2005		1,353	
2006		1,353	
2007		676	
Total	\$41,500	\$4,059	\$42,500

6. RETIREMENT SYSTEMS

The Township's elected officials 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

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

7. RISK MANAGEMENT (Continued)

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

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 2003 and 2002:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

8. CONTRACTUAL OBLIGATIONS

Land Purchase

The Township entered into a contractual obligation to purchase forty acres of land on September 10, 2003 for \$420,000. As of December 31, 2003, The Township received a grant from the Ohio Public Works Commission for \$310,800 which was placed in escrow with Knapke Law Office. The outstanding amount for the land purchase is \$109,200. The Township's obligated amount is \$9,200. The Ohio Department of Natural Resources approved a grant for \$50,000 toward the purchase and the seller, Mr. Uppenkamp is donating \$50,000. The Township will close the purchase when the Ohio Department of Natural Resources grant is received.

Karafit Road Widening, Bike Path, and Parking Lot

The Township has an outstanding contractual obligation with Wagner Paving, Inc in the amount of \$126,426 as of December 31, 2003.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

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

9. SUBSEQUENT EVENTS

The Township secured a \$90,000 note bearing an interest rate of 4.5% for six months on January 6, 2004 from People's Bank Co. Coldwater to complete the bike path on Karafit Road. The Township renewed the note for \$21,200 for 5% for a period of six months.

The Township approved a \$184,000 note bearing and interest rate of 3.8% for five years on March 10, 2004 from People's Holding Co to purchase a Fire Tanker and Equipment.

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Auditor of State Betty Montgomery

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

Franklin Township
Mercer County
7721 State Route 219
Celina, OH 45822

To the Board of Trustees:

We have audited the financial statements of Franklin Township, Mercer County (the Township), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated November 4, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated November 4, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated November 4, 2004.

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FranklinTownship
Mercer County
Report of Independent Accountants 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 audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 4, 2004

**FRANKLIN TOWNSHIP
MERCER COUNTY**

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

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

FINDING NUMBER 2003-001

Ohio Rev. Code Section 505.60 (A) states as provided in this Sections 505.60 and 505.601 of the Revised Code, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees.

Section 505.60 outlines the provision of group coverage and allowable reimbursements should an officer or employee be denied coverage or elect not to participate in the group health care plan. Section 505.601 outlines provisions for providing reimbursements for premiums if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code. The stipulations for reimbursement under each Section are different.

Per the resolution passed by the Board of Trustees, the Township has elected not to participate in a group plan under 505.60 and has established provisions for reimbursement under Section 505.601. However, the Township is actually providing insurance under both 505.60 and 505.601. During the audit period, the Township provided group coverage for certain health care insurance (vision, dental and hospital indemnity) with the premiums paid ranging from \$1,490 to \$3,945 per individual per year and followed the provisions of 505.601 for reimbursement/payment of premiums for hospitalization and major medical coverage with reimbursements to qualifying individuals ranging from \$4,242 to \$7,992 each year. The Township cannot follow both Sections of the Revised Code when providing health insurance coverage, as the two Sections are mutually exclusive.

The Township should determine their intentions regarding the provisions of healthcare coverage and revise the resolution. The Township should seek the advice and approval of legal counsel in this matter prior to making the revisions, as it is possible a change in coverage could be determined to be an in-term increase in compensation which is not allowable by law. Failure to correct the resolutions and continuation of inappropriate payments will result in findings for recovery against the officials.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40281-001	ORC Sec. 505.60(A) – Finding for Recovery for Life Insurance against clerk	Yes	
2001-40281-002	ORC Sec. 505.60(A) – Finding for Recovery for Life Insurance premium against Trustee	Yes	
2001-40281-003	ORC Sec. 5705.41(D) – Proper certification of expenditures	Yes	
2001-40281-004	ORC Sec. 5705.39 – Appropriations exceeded total estimated resources	No	Repeated in Management Letter
2001-40281-005	ORC Sec. 5705.41 (B) – Expenditures exceeded appropriations	No	Repeated in Management Letter
2001-40281-006	AOS Bulletin 97-003 – Unallowable advances	Yes	
2001-40281-007	ORC Sec. 505.60 (B) – Allocation of insurance	Yes	
2001-40281-008	ORC Sec. 5705.10 – Proper purpose of fund usage	Yes	



**Auditor of State
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FRANKLIN TOWNSHIP

MERCERCOUNTY

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
DECEMBER 28, 2004**