

FRANKLIN TOWNSHIP

SHELBY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 - 2007



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Franklin Township, Shelby County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2007 through December 31, 2008. 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 Auditors' 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 Auditors' 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 12, 2009

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**FRANKLIN TOWNSHIP
SHELBY COUNTY**

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

INDEPENDENT AUDITORS' REPORT

Franklin Township
Shelby County
11095 County Rd 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, 2008 and 2007. 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 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 require 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, 2008 and 2007, 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, 2008 and 2007, 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, 2008 and 2007, 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 determines is necessary to supplement, although not required to be a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2009, 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

August 11, 2009

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**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, 2008

	GOVERNMENTAL FUND TYPES			Total (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$ 118,145	\$ 369,846	\$ 0	\$ 487,991
Licenses, Permits and Fees	4,505	18,938	0	23,443
Intergovernmental Receipts	39,652	101,605	0	141,257
Earnings on Investments	7,738	3,003	78	10,819
Miscellaneous	73	15,638	0	15,711
Total Cash Receipts	<u>170,113</u>	<u>509,030</u>	<u>78</u>	<u>679,221</u>
Cash Disbursements:				
Current:				
General Government	84,949	27,032	0	111,981
Public Safety	0	111,433	0	111,433
Public Works	613	370,813	0	371,426
Health	16,115	25,243	0	41,358
Capital Outlay	0	1,074	0	1,074
Total Cash Disbursements	<u>101,677</u>	<u>535,595</u>	<u>0</u>	<u>637,272</u>
Total Receipts Over/(Under) Disbursements	<u>68,436</u>	<u>(26,565)</u>	<u>78</u>	<u>41,949</u>
Other Financing Receipts/Disbursements				
Sale of Fixed Assets	0	500	0	500
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>500</u>	<u>0</u>	<u>500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>68,436</u>	<u>(26,065)</u>	<u>78</u>	<u>42,449</u>
Fund Cash Balances, January 1	<u>292,673</u>	<u>341,462</u>	<u>3,549</u>	<u>637,684</u>
Fund Cash Balances, December 31	<u>\$ 361,109</u>	<u>\$ 315,397</u>	<u>\$ 3,627</u>	<u>\$ 680,133</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, 2007

	GOVERNMENTAL FUND TYPES				Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Other Local Taxes	\$ 119,695	\$ 376,834	\$ 0	\$ 0	\$ 496,529
Licenses, Permits and Fees	2,660	20,414	0	0	23,074
Intergovernmental Receipts	29,769	103,723	24,137	0	157,629
Earnings on Investments	18,909	7,799	0	87	26,795
Miscellaneous	194	9,662	0	0	9,856
Total Cash Receipts	<u>171,227</u>	<u>518,432</u>	<u>24,137</u>	<u>87</u>	<u>713,883</u>
Cash Disbursements:					
Current:					
General Government	60,596	27,232	0	0	87,828
Public Safety	0	113,543	0	0	113,543
Public Works	613	407,326	0	0	407,939
Health	21,144	21,841	0	0	42,985
Capital Outlay	0	1,078	24,137	0	25,215
Total Cash Disbursements	<u>82,353</u>	<u>571,020</u>	<u>24,137</u>	<u>0</u>	<u>677,510</u>
Total Receipts Over/(Under) Disbursements	<u>88,874</u>	<u>(52,588)</u>	<u>0</u>	<u>87</u>	<u>36,373</u>
Fund Cash Balances, January 1	<u>203,799</u>	<u>394,050</u>	<u>0</u>	<u>3,462</u>	<u>601,311</u>
Fund Cash Balances, December 31	<u>\$ 292,673</u>	<u>\$ 341,462</u>	<u>\$ 0</u>	<u>\$ 3,549</u>	<u>\$ 637,684</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, 2008 AND 2007

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, 2008 AND 2007

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, 2008 AND 2007

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.

A summary of 2008 and 2007 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>2008</u>	<u>2007</u>
Demand deposits	\$677,933	\$635,484
Certificates of Deposit	2,200	2,200
Total deposits	<u>\$680,133</u>	<u>\$637,684</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, 2008 AND 2007

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2008 was as follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 115,000	\$ 170,113	\$ 55,113
Special Revenue	474,900	509,530	34,630
Permanent	40	78	38
Total	<u>\$ 589,940</u>	<u>\$ 679,721</u>	<u>\$ 89,781</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 407,674	\$ 101,677	\$ 305,997
Special Revenue	816,362	535,595	280,767
Permanent	3,588	0	3,588
Total	<u>\$ 1,227,624</u>	<u>\$ 637,272</u>	<u>\$ 590,352</u>

Budgetary activity for the year ending December 31, 2007 was as follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 108,000	\$ 171,227	\$ 63,227
Special Revenue	373,797	518,432	144,635
Capital Projects	28,950	24,137	(4,813)
Permanent	40	87	47
Total	<u>\$ 510,787</u>	<u>\$ 713,883</u>	<u>\$ 203,096</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 311,800	\$ 82,353	\$ 229,447
Special Revenue	767,846	570,020	197,826
Capital Projects	28,950	24,137	4,813
Permanent	3,502	0	3,502
Total	<u>\$ 1,112,098</u>	<u>\$ 676,510</u>	<u>\$ 435,588</u>

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

3. BUDGETARY, (Continued)

Ohio Rev. Code Section 5705.36 requires all subdivision to request reduced amended certificates upon determination that revenue will be less than the official certificate of estimated resources. The Township did not request a reduced estimated certificate of resources or amend appropriations as required in 2008 or 2007. Contrary to Ohio law, budgeted receipts exceeded actual receipts in 2008 for the Road & Bridge, Fire Levy, and Rescue Levy Funds by \$2,852, \$2,138 and \$1,417; and in 2007 in the State Issue #2 Fund by \$4,813.

In addition, **Ohio Rev. Code Section 5705.36**, excludes the principal of a Permanent Fund (Cemetery Bequest fund) and any addition to the principal arising from sources other than the reinvestment of investment earnings. The Township certified the fund balance as available for appropriation.

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. 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.

OPER's members contributed 10% and 9.5% of their gross salaries for 2008 and 2007, respectively. The Township contributes an amount equal to 14% and 13.85% of participants' gross salaries for 2008 and 2007, respectively. The Township has paid all contributions required through December 31, 2008.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

6. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township contracted with Tudor Insurance Company, Auto –Owners (Mutual) Insurance Company and Harrod Insurance Company through the Ohio Mutual Insurance Association to provide property and casualty coverage with coverage as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Automobile Liability	500,000
General Liability	1,000,000
Inland Marine	21,228
Commercial Property	410,575
Public Officials Liability Policy	2,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

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

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

To the Township Board of Trustees:

We have audited the financial statements of Franklin Township, Shelby County, (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 12, 2009 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Township'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-inconsequential financial statement misstatement.

We consider finding 2008-003 and 2008-004 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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. We believe the significant deficiencies described in findings 2008-003 and 2008-004 are also material weaknesses.

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 that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2008-001, 2008-002 and 2008-04.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

August 11, 2009

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

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 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 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 or expenditures by the Township.
2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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.

In 2008 and 2007, 17 and 22, "Then and Now" purchase orders issued in for amounts over the \$3,000 limitation imposed by the Ohio Revised Code. The Township issued purchase orders after the incurrence of an expense without certifying the purchase order as a "Then and Now," for 8 (or 11 percent) of expenditures tested in 2008. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

FINDING 2008-001, (continued)

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.

Response: The new Fiscal Officer has implemented procedures to ensure purchase orders are properly prepared and/or with a "then and now" certification if needed.

FINDING NUMBER 2008-002

Ohio Rev. Code Section 5705.36 (A)(2) 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. Estimated resources exceeded actual receipts in the following funds:

Fund	Estimated Receipts	Actual Receipts	Variance
2008			
Road & Bridge	265,000	262,148	(2,852)
Fire Levy	69,000	66,862	(2,138)
Rescue Levy	44,900	43,483	(1,417)
2007			
State Issue #2	\$ 28,950	\$ 24,137	\$ (4,813)

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.

In addition, **Ohio Rev. Code Section 5705.36**, excludes the principal of a Permanent Fund (Cemetery Bequest fund) and any addition to the principal arising from sources other than the reinvestment of investment earnings to the fund that has been established for receiving donations and/or contributions pursuant to Ohio Rev. Code Section 5705.131 must be excluded from the amount of unencumbered balances available for expenditure.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

FINDING 2008-002, (continued)

The Township certified the balance of the Cemetery Bequest fund as being available for expenditure in both 2008 and 2007, contrary to this requirement. Certification of the balance of the Cemetery Bequest fund presents the risk that the principal of the trust fund could be improperly expended. The Township should implement procedures to prevent the principal of such funds from being certified as available for expenditures.

Response: The new Fiscal Officer understands budgetary monitoring is essential to sound decision making; and will monitor budgetary compliance in the future and request the Trustees approve amendment to certificates of estimate resources if receipts are less than anticipated.

FINDING NUMBER 2008-003

Check sequence and voided checks

There were several instances noted in both 2008 and 2007 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 previous Fiscal Officer did not properly void and reissue checks when printer problems were encountered. The new Fiscal Officer will make every effort to make sure check sequences and numbers agree with the UAN accounting system.

FINDING NUMBER 2008-004

Ohio Rev. Code Section 117.38, Classification of Funds - the Township was required to reclassify its nonexpendable trust fund into either a permanent fund or a private purpose fund. Based on the criteria issued by Auditor of State, the funds should have been classified into a permanent fund. The Township classified its nonexpendable trust funds into special revenue funds. Since the principal of these funds are perpetual the classification should have been permanent. These financial statements have been adjusted to reflect the proper classification of the funds.

Response: The funds have been corrected to be classified as permanent.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2006-001	ORC Sec. 5705.41(D) - Failure to certify availability of funds prior to incurring an expense	No	Reissue as Finding 2008-001
2006-002	ORC Sec. 5705.36 (A)(3) - Failure to amend estimated receipts resulting in estimated receipts being greater than actual	No	Reissue as Finding 2008-002
2006-003	Failure to properly generate check sequence and adjust voided check numbers	No	Reissue as Finding 2008-003
2006-004	Failure to properly report budgetary data being not entering estimated receipts into computerized system	Yes	
2006-005	Failure to pay invoices in a timely manner which resulted in several late assessments	Yes	
2006-006	Failure to maintain proper supporting documentation for expenditures	Yes	
2006-007	Ohio Admin Code Sec 117-2 - Improper posting of revenues and expenses	Yes	



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
NOVEMBER 5, 2009**