

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY  
Regular Audit  
For the Years Ended December 31, 2010 and 2009**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Board of Trustees  
Franklin Township  
2193 Frank Road  
Columbus, Ohio 43223

We have reviewed the *Independent Accountants' Report* of Franklin Township, Franklin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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Dave Yost  
Auditor of State

September 26, 2011

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**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

June 28, 2011

Franklin Township  
Franklin County  
2193 Frank Road  
Columbus, OH 43223

To the Board of Trustees:

We have audited the accompanying financial statements of **Franklin Township**, Franklin County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009. 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, 2010 and 2009 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, 2010 and 2009, 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 and reserves for encumbrances of Franklin Township, Franklin County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, 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.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 81,901	\$ 4,657,472	\$ -	\$ 4,739,373
Intergovernmental	746,009	479,338	-	1,225,347
Special Assessments	-	1,392	-	1,392
Charges for Services	-	1,074,791	-	1,074,791
Licenses, Permits, and Fees	115,404	-	-	115,404
Fines, Forfeitures, and Penalties	3,797	14,116	-	17,913
Earnings on Investments	2,643	218	-	2,861
Miscellaneous	15,333	69,805	-	85,138
	<u>965,087</u>	<u>6,297,132</u>	<u>-</u>	<u>7,262,219</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	439,094	32,267	-	471,361
Public Safety	-	5,905,119	-	5,905,119
Public Works	359	385,677	-	386,036
Health	35,666	-	-	35,666
Debt Service:				
Redemption of Principal	3,554	113,716	-	117,270
Interest and Other Fiscal Charges	140	11,528	-	11,668
Capital Outlay	60,681	336,320	-	397,001
	<u>539,494</u>	<u>6,784,627</u>	<u>-</u>	<u>7,324,121</u>
<b>Total Cash Disbursements</b>				
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>425,593</u>	<u>(487,495)</u>	<u>-</u>	<u>(61,902)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Fixed Assets	1,466	13,202	-	14,668
Advances-In	80,000	80,000	-	160,000
Advances-Out	(80,000)	(80,000)	-	(160,000)
	<u>1,466</u>	<u>13,202</u>	<u>-</u>	<u>14,668</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	427,059	(474,293)	-	(47,234)
Fund Cash Balances, January 1	<u>578,204</u>	<u>1,367,706</u>	<u>8,834</u>	<u>1,954,744</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 1,005,263</b></u>	<u><b>\$ 893,413</b></u>	<u><b>\$ 8,834</b></u>	<u><b>\$ 1,907,510</b></u>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ 370</u>	<u>\$ -</u>	<u>\$ 370</u>

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



**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 136,881	\$ 4,425,990	\$ -	\$ 4,562,871
Intergovernmental	649,524	516,791	-	1,166,315
Charges for Services	264	952,963	-	953,227
Licenses, Permits, and Fees	128,132	-	-	128,132
Fines, Forfeitures, and Penalties	13,510	430	-	13,940
Earnings on Investments	4,135	413	-	4,548
Miscellaneous	39,945	143,155	-	183,100
<b>Total Cash Receipts</b>	<u>972,391</u>	<u>6,039,742</u>	<u>-</u>	<u>7,012,133</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	369,913	585	-	370,498
Public Safety	-	5,573,342	-	5,573,342
Public Works	341	214,301	-	214,642
Health	17,579	54,004	-	71,583
Debt Service:				
Redemption of Principal	123,363	325,797	-	449,160
Interest and Other Fiscal Charges	-	17,916	-	17,916
Capital Outlay	-	495,714	-	495,714
<b>Total Cash Disbursements</b>	<u>511,196</u>	<u>6,681,659</u>	<u>-</u>	<u>7,192,855</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>461,195</u>	<u>(641,917)</u>	<u>-</u>	<u>(180,722)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Fixed Assets	-	-	8,834	8,834
Note Proceeds	-	481,095	-	481,095
Transfers-In	-	555,000	-	555,000
Advances-In	-	110,000	-	110,000
Transfers-Out	(555,000)	-	-	(555,000)
Advances-Out	(110,000)	-	-	(110,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(665,000)</u>	<u>1,146,095</u>	<u>8,834</u>	<u>489,929</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(203,805)	504,178	8,834	309,207
Fund Cash Balances, January 1	<u>782,009</u>	<u>863,528</u>	<u>-</u>	<u>1,645,537</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 578,204</b></u>	<u><b>\$ 1,367,706</b></u>	<u><b>\$ 8,834</b></u>	<u><b>\$ 1,954,744</b></u>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ 373</u>	<u>\$ -</u>	<u>\$ 373</u>

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

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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, Franklin County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis 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. Deposits 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 repurchase agreements 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  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

Fire Levy Fund - This fund receives property tax money for providing fire protection and emergency medical services for Township residents.

Police Levy Fund - This fund receives property tax money for providing police protection and public safety for Township residents.

**3. Capital Project Funds**

This fund accounts for receipts restricted to acquiring or construing major capital projects (except those financed through enterprise or trust funds). The Township had the following capital project fund:

Permanent Improvement Fund - This fund provides permanent constructions for the Township.

**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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**E. Budgetary Process (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 carried over, and need not be reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

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

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

	2010	2009
Demand deposits	\$ 844,943	\$ 894,830
Total deposits	844,943	894,830
Repurchase Agreement	1,062,567	1,059,914
Total investments	1,062,567	1,059,914
Total deposits and investments	\$ 1,907,510	\$ 1,954,744

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

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,251,196	\$ 966,553	\$ (284,643)
Special Revenue	6,697,222	6,310,334	(386,888)
Total	\$ 7,948,418	\$ 7,276,887	\$ (671,531)

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY (CONTINUED)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,719,399	\$ 539,494	\$ 1,179,905
Special Revenue	7,587,497	6,784,997	802,500
Capital Projects	8,834	0	8,834
Total	\$ 9,315,730	\$ 7,324,491	\$ 1,991,239

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,054,304	\$ 972,391	\$ (81,913)
Special Revenue	6,057,311	6,520,837	463,526
Capital Projects	0	8,834	8,834
Total	\$ 7,111,615	\$ 7,502,062	\$ 390,447

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,328,909	\$ 511,196	\$ 817,713
Special Revenue	7,424,398	6,682,032	742,366
Total	\$ 8,753,307	\$ 7,193,228	\$ 1,560,079

**4. PROPERTY TAX**

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

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

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

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

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
OPWC Loan	\$ 67,534	0.00%
Total	\$ 67,534	

The Township issued tax anticipation notes in 2005 in anticipation of the collection a recently passed fire levy. The note was repaid in December of 2009 using revenue received from the collection of the fire levy.

The Township was awarded an interest free loan from Ohio Public Works Commission (OPWC) for the Geneva Avenue Sewer project. The loan is repaid from the General Fund. The prior audit report showed an outstanding balance of \$53,317. As confirmed on the OPWC website, this balance was incorrect. The actual outstanding balance was \$81,751.

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

Year ending December 31:	OPWC Loan
2011	\$ 7,109
2012	7,109
2013	7,109
2014	7,109
2015	7,109
2016-2020	31,989
Total	\$ 67,534

**6. CAPITAL LEASES**

The Township entered into three lease/purchase agreements with Kansas State Bank of Manhattan for the purchase a 2007 dump truck, an ambulance and a 2010 dump truck. The balance outstanding of the 2007 dump truck as of 12/31/08 was \$38,268 and the payments for the lease/purchase agreement are made out of the Road and Bridge Fund. The balance outstanding as of 12/31/10 was \$19,106.

The balance outstanding of the ambulance as of 12/31/08 was \$34,478 and the payments for the lease/purchase agreement were made out of the Ambulance Fund. The ambulance was paid off in November of 2009.

The payments for the lease/purchase agreement for the 2010 dump truck are made out of the Gasoline and Road and Bridge Funds and the balance outstanding as of 12/31/10 was \$29,963.

The Township also entered into a lease/purchase agreement with PNC Bank for the purchase of an ambulance. The balance outstanding of the ambulance as of 12/31/08 was \$200,000 and the payments for the lease/purchase agreement are made out of the Ambulance Fund. The balance outstanding as of 12/31/10 was \$125,286.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. CAPITAL LEASES (CONTINUED)**

The Township also entered into a lease/purchase agreement with Oshkosh Capital for the purchase of a Pierce fire truck. The payments for this lease/purchase agreement are made out of the Fire Levy Fund and the balance outstanding as of 12/31/10 was \$162,273.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2010.

Year ending December 31:	2007 Dump Truck	2010 Dump Truck	Ambulance	Pierce Fire Truck
2011	\$ 11,158	\$ 10,816	\$ 45,600	\$ 58,411
2012	8,368	10,816	45,600	\$ 58,411
2013	-	10,816	45,600	\$ 58,411
Total	<u>\$ 19,526</u>	<u>\$ 32,448</u>	<u>\$ 136,800</u>	<u>\$ 175,233</u>

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Township contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

June 28, 2011

Franklin Township  
Franklin County  
2193 Frank Road  
Columbus, OH 43223

To the Board of Trustees:

We have audited the financial statements of **Franklin Township**, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 28, 2011, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of audit findings to be a material weakness.



### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2010-002.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 28, 2011.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of audit 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 Township management, Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**Material Weakness**

**Posting Receipts and Expenditures**

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

Receipts and expenditures were not always posted correctly. The following posting errors were noted:

- Several capital outlay expenditures were misclassified as other financing sources in 2010.
- Charges for services receipts were misclassified as licenses, permits and fees in 2010.
- Several property tax and intergovernmental receipts were misclassified in 2009.
- Principal and interest payments in 2010 and 2009 were misclassified as capital outlay, general government, public works and public safety expenditures.
- Loan proceeds and the corresponding capital outlay expenditures were not recorded in 2009.

This resulted in reclassification entries being made to the Township's financial statements. The accompanying financial statements reflect the reclassification.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

**Management's Response** – 2009 issues I was not here. Interest payments by me were place in the correct line code as interest.

**FINDING NUMBER 2010-002**

**Noncompliance**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting 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. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-002 (Continued)**

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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
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 entity 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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 70% of the expenditures tested during 2010 and 36% of the expenditures tested during 2009 and there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures.

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 Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – In 2010, I did certify all PO's before purchase was made. State auditor said to put certification date on PO. This will be fine. This has now been corrected to place certificate date on purchase order accordingly.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Tax Anticipation Note Repayment	Yes	N/A
2008-002	Inter-Fund Advances	No	Partially Corrected, Moved to Management Letter
2008-003	ORC Section 5705.41 (D)	No	Not Corrected, Repeated as Finding 2010-002
2008-004	Financial Reporting	No	Not Corrected, Repeated as Finding 2010-001



# Dave Yost • Auditor of State

**FRANKLIN TOWNSHIP**

**FRANKLIN 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  
OCTOBER 6, 2011**