



**FRANKLIN TOWNSHIP
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008-2007



Mary Taylor, CPA
Auditor of State

FRANKLIN TOWNSHIP
FRANKLIN COUNTY

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Mary Taylor, CPA
Auditor of State

Franklin Township
Franklin County
2193 Frank Road
Columbus, Ohio 43223

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 28, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Franklin Township
Franklin County
2193 Frank Road
Columbus, Ohio 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, 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. The Township processes its financial transactions with 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 audit 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 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, Franklin County, Ohio 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 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 July 28, 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.



Mary Taylor, CPA
Auditor of State

July 28, 2009

**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, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 117,210	\$ 4,335,569	\$ -	\$ 4,452,779
Charges for Services	-	758,387	-	758,387
Licenses, Permits, and Fees	164,814	-	-	164,814
Fines and Forfeitures	14,812	135	-	14,947
Intergovernmental	786,816	252,467	-	1,039,283
Earnings on Investments	29,072	3,652	-	32,724
Miscellaneous	12,801	150,728	-	163,529
	<u>1,125,525</u>	<u>5,500,938</u>	<u>-</u>	<u>6,626,463</u>
Total Cash Receipts				
	<u>1,125,525</u>	<u>5,500,938</u>	<u>-</u>	<u>6,626,463</u>
Cash Disbursements:				
Current:				
General Government	748,475	-	-	748,475
Public Safety	-	5,028,665	6,350	5,035,015
Public Works	186	458,443	-	458,629
Health	41,283	-	-	41,283
Capital Outlay	3,804	92,033	-	95,837
Debt Service:				
Redemption of Principal	-	200,903	-	200,903
Interest and Other Fiscal Charges	-	11,924	-	11,924
	<u>793,748</u>	<u>5,791,968</u>	<u>6,350</u>	<u>6,592,066</u>
Total Cash Disbursements				
	<u>793,748</u>	<u>5,791,968</u>	<u>6,350</u>	<u>6,592,066</u>
Total Receipts Over/(Under) Disbursements	<u>331,777</u>	<u>(291,030)</u>	<u>(6,350)</u>	<u>34,397</u>
Other Financing Receipts / (Disbursements):				
Proceeds of Capital Lease	-	182,949	-	182,949
Transfers-In	-	96,000	-	96,000
Transfers-Out	(96,000)	-	-	(96,000)
Advances-In	84,000	238,000	-	322,000
Advances-Out	(238,000)	(84,000)	-	(322,000)
	<u>(250,000)</u>	<u>432,949</u>	<u>-</u>	<u>182,949</u>
Total Other Financing Receipts / (Disbursements)				
	<u>(250,000)</u>	<u>432,949</u>	<u>-</u>	<u>182,949</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	81,777	141,919	(6,350)	217,346
Fund Cash Balances, January 1	<u>700,232</u>	<u>721,609</u>	<u>6,350</u>	<u>1,428,191</u>
Fund Cash Balances, December 31	<u>\$ 782,009</u>	<u>\$ 863,528</u>	<u>\$ -</u>	<u>\$ 1,645,537</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, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 138,586	\$ 4,558,101	\$ -	\$ 4,696,687
Charges for Services	-	724,622	-	724,622
Licenses, Permits, and Fees	108,486	-	-	108,486
Fines and Forfeitures	15,301	400	-	15,701
Intergovernmental	826,849	151,267	-	978,116
Earnings on Investments	51,557	1,984	-	53,541
Miscellaneous	23,645	116,263	-	139,908
Total Cash Receipts	<u>1,164,424</u>	<u>5,552,637</u>	<u>-</u>	<u>6,717,061</u>
Cash Disbursements:				
Current:				
General Government	541,472	-	-	541,472
Public Safety	-	4,829,123	-	4,829,123
Public Works	-	388,494	-	388,494
Health	39,296	1,850	-	41,146
Capital Outlay	84,048	17,590	-	101,638
Debt Service:				
Redemption of Principal	7,109	176,888	-	183,997
Interest and Other Fiscal Charges	-	-	-	-
Total Cash Disbursements	<u>671,925</u>	<u>5,413,945</u>	<u>-</u>	<u>6,085,870</u>
Total Receipts Over Disbursements	<u>492,499</u>	<u>138,692</u>	<u>-</u>	<u>631,191</u>
Other Financing Receipts / (Disbursements):				
Proceeds of Loan	48,668	-	-	48,668
Sale of Fixed Assets	-	-	6,350	6,350
Advances-In	155,000	445,000	-	600,000
Advances-Out	(155,000)	(445,000)	-	(600,000)
Other Financing Sources	15	-	-	15
Total Other Financing Receipts / (Disbursements)	<u>48,683</u>	<u>-</u>	<u>6,350</u>	<u>55,033</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	541,182	138,692	6,350	686,224
Fund Cash Balances, January 1	<u>159,050</u>	<u>582,917</u>	<u>-</u>	<u>741,967</u>
Fund Cash Balances, December 31	<u>\$ 700,232</u>	<u>\$ 721,609</u>	<u>\$ 6,350</u>	<u>\$ 1,428,191</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, 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 the Franklin Township, Franklin County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides 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.

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:

**FRANKLIN TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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 constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following capital project fund:

Permanent Improvement – 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 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 2008 and 2007 budgetary activity appears in Note 3.

**FRANKLIN TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

	2008	2007
Demand deposits	\$463,286	\$125,679
Repurchase Agreement	1,182,251	1,302,512
Total deposits and investments	\$1,645,537	\$1,428,191

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 ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,029,858	\$1,209,525	\$179,667
Special Revenue	5,771,581	6,017,887	246,306
Capital Project	0	0	0
Total	\$6,801,439	\$7,227,412	\$425,973

**FRANKLIN TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,730,090	\$1,127,748	\$602,342
Special Revenue	6,525,086	5,875,968	649,118
Capital Projects	6,350	6,350	0
Total	\$8,261,526	\$7,010,066	\$1,251,460

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,065,779	\$1,368,107	\$302,328
Special Revenue	5,884,186	5,997,637	113,451
Capital Projects	0	6,350	6,350
Total	\$6,949,965	\$7,372,094	\$422,129

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,242,566	\$826,925	\$415,641
Special Revenue	6,449,344	5,858,945	590,399
Capital Projects	0	0	0
Total	\$7,691,910	\$6,685,870	\$1,006,040

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.

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. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**FRANKLIN TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Property Tax (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Township due to phasing out of the tax. In calendar years 2006-2010, the Township will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phase out.

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, 2008 was as follows:

	Principal	Interest Rate
Fire Levy TAN	\$135,000	4.5%
OPWC Loan	53,317	0%
Total	\$188,317	

The Township issued tax anticipation notes in 2005 in anticipation of the collection of a recently passed fire levy. The notes are to be repaid from 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.

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

	Fire Levy TAN	OPWC Loan
Year ending December 31:		
2009	\$141,075	7,109
2010		7,109
2011		7,109
2012		7,109
2013		7,109
2014-2018		35,545
2019-2021		10,663
Total	\$141,075	81,753

6. Capital Leases

The Township entered into two lease/purchase agreements with Kansas State Bank of Manhattan for the purchase of an ambulance and dump truck. The payments for these lease/purchase agreements are made out of the EMS and Gas Tax funds, respectively. The Township also entered into a lease/purchase agreement with Republic First National Bank for the purchase of an ambulance. The payments for this lease/purchase agreement are made out of the EMS fund.

**FRANKLIN TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Capital Leases (Continued)

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 risks 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, 2008:

Year ending December 31:	Ambulance Capital Lease	Dump Truck Capital Lease	Ambulance Capital Lease
2009	\$35,746	\$11,158	45,600
2010		11,158	45,600
2011		11,158	45,600
2012		5,579	45,600
2013			45,600
Total	<u>\$35,746</u>	<u>\$39,053</u>	<u>228,000</u>

7. Retirement Systems

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees and Police Officers 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 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, 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 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

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.



Mary Taylor, CPA

Auditor of State

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

Franklin Township
Franklin County
2193 Frank Road
Columbus, Ohio 43223

To the Township Board of Trustees:

We have audited the financial statements of the Franklin Township, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 28, 2009, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

We consider findings 2008-001, 2008-002, and 2008-004 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-001, 2008-002, and 2008-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 28, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 28, 2009.

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



Mary Taylor, CPA
Auditor of State

July 28, 2009

**FRANKLIN TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Tax Anticipation Note Repayment - Noncompliance Finding / Significant Deficiency / Material Weakness

Ohio Rev. Code Section 5705.10(D) requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Additionally, Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

Expenditures totaling \$141,924 for repayment of the tax anticipation note principal and interest was paid by the Township's General Fund. The note agreement explicitly states that repayment of the debt should have been paid from the proceeds of the Township's fire levy which the revenues are pledged for this purpose. These expenditures were adjusted from the General Fund to the Fire Levy Fund (See Finding 2008-004).

We recommend the Township implement procedures to ensure that all expenditures are posted to the proper funds, as established by the Township and required by the Ohio Revised Code. The Township's financial statements and accounting records have been adjusted to properly post this expenditure to the Fire Fund.

FINDING NUMBER 2008-002

Inter-Fund Advances - Noncompliance Finding/ Significant Deficiency / Material Weakness

Auditor of State Bulletin 97-003 requires that advances must be approved by a formal resolution of the taxing authority of the subdivision which must include a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made. Additionally, Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. Thus, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established.

In 2007 there were nine advances and 2008 thirteen advances, for which the Board did not authorize the advance of the funds by the Fiscal Officer. Since the Board did not approve the advances, there were no specific statements disclosing the repayment terms of the advances and the advances are unallowable. Additionally during 2007, six of the nine non-approved advances were returned to the advancing fund by voiding the advance instead of advancing the monies back to indicate repayment. In addition to these advances two other advances during 2007 were Board approved but were advanced from funds unallowable to make advances.

Failure to authorize advances by Board resolution prior to the advance of funds results in unallowable and improper advances of funds which may not be able to be repaid by the fund(s) advanced to. In addition advances from restricted funds results in unallowable advances based on advancing restricted monies. Unallowable and unauthorized advances that were not repaid or previously voided were reversed to the originating funds by audit adjustment (See Finding 2008-004).

FRANKLIN TOWNSHIP
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)

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

FINDING NUMBER 2008-002 (Continued)

**Inter-Fund Advances - Noncompliance Finding/ Significant Deficiency / Material Weakness
(Continued)**

We recommend the Board approve each advance by resolution prior to any advance being made. Such resolutions should include specific notation of the expected source and timing of the repayment of the advance. We further recommend if the Township no longer intends for advances to be repaid, that the Township takes the appropriate steps to convert the unviable advances to a transfer. We also recommend that the Township only advance monies between funds that are allowable.

FINDING NUMBER 2008-003

Certification of Funds - Noncompliance Finding

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity (the Township) 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 of expenditures by the Township.

2. Blanket certificate – Fiscal officers may prepare "blanket" certificates against any specific line item account not extending beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

**FRANKLIN TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003 (Continued)

Certification of Funds - Noncompliance Finding (Continued)

The Township did not properly certify the availability of funds prior to the purchase commitment for 63 percent of the transactions tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

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, the Township Fiscal Officer should 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 should be used.

The Township should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2008-004

Financial Reporting - Significant Deficiency / Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer of the Township and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the Township's financial statements and, where applicable, to the Township's accounting records:

1. Adjustment to properly classify and allocate homestead and rollback revenues of \$4,043 from a sale of a fixed asset in the Permanent Improvement Fund to intergovernmental revenue in the Road and Bridge Fund for 2008.
2. Adjustment to remove tax anticipation note (TAN) payments from the General Fund and apply to the Fire Fund that the TAN's were issued on for \$141,924 for 2008 (See Finding 2008-001).
3. Reclassification to properly classify revenue recorded as miscellaneous receipts to intergovernmental revenue, charge for service revenue, and proceeds of capital lease for \$80,585, \$24,500, and \$182,949 respectively in the General Fund for 2008.
4. Adjustment to record interest not recorded by the Township for the General Fund, MVL Tax Fund, Gas Tax Fund, and Road and Bridge Fund for \$2,480, \$4, \$614, and \$596 respectively for 2008.
5. Adjustment to remove unallowable advances from the General Fund to the Fire Levy Fund, MVL Tax Fund, and Permissive MVL Tax Fund for \$15,000, \$8,000, and \$39,500 respectively for 2008 and the Police Levy Fund to the Fire Levy Fund for \$285,000 in 2007 (See Finding 2008-002).

**FRANKLIN TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-004 (Continued)

Financial Reporting (Continued)

6. Adjustment to post a warrant for \$1,850 marked as a void in system that cleared bank and should have been recorded as an expenditure in the Ambulance and EMS Fund in 2007.
7. Adjustment to bring on the proceeds of a loan revenue and capital outlay expenditures for the purchase of a dump truck for \$48,668 in 2007.

The following differences were immaterial to the overall financial statements of the Township and were not posted to the financial statements:

1. Reclassification to properly classify debt payments to principal and interest and fiscal charges expenditure line items for \$7,109 in the General Fund, \$31,340 in the Fire Fund, \$5,579 in the Gas Tax Fund, and \$5,579 in the Road and Bridge Fund for 2008.
2. Reclassification to properly classify intergovernmental and charge for service revenues of \$2,903 and \$16,178 in the General Fund, property tax revenue of \$13,118 in the Road and Bridge Fund, intergovernmental revenue of \$247,543 in the Fire Levy Fund, intergovernmental revenue of \$76,111 in the Police Levy Fund, and intergovernmental revenue of \$4,000 in the Ambulance and EMS Fund for 2008.
3. Reclassification to properly classify debt payments to principal and interest and fiscal charges expenditure line items for \$17,238 in the Fire Fund, \$4,441 in the Ambulance and EMS Fund, and \$5,579 in the Gas Tax Fund for 2007.
4. Reclassification to properly classify intergovernmental revenue of \$18,403 in the General Fund, \$900 in the MVL Tax Fund, \$6,225 in the Road and Bridge Fund, \$131,927 in the Fire Levy Fund, and \$58,630 in the Police Levy Fund for 2007.
5. Adjustment to correct EMS charge for services from miscellaneous revenue from the Fire Levy Fund to charge for service revenue in the Ambulance and EMS Fund for \$18,740 in 2007.
6. Reclassification to properly classify license, permits, and fees revenue for \$13,839 in the General Fund for 2007.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year.

We recommend the Township develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increases the reliability of the financial data throughout the year. Such procedures may include review of the financial ledgers and financial statements by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors and omissions.

fWe did not receive Official responses for the above findings.

**FRANKLIN TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Unreconciled bank to book	No	Partially corrected – reissued as management letter recommendation
2006-002	Improper interest allocation	Yes	
2006-003	Financial Reporting	No	Not corrected – reissued as 2008-004
2006-004	PO's not timely certified	No	Not corrected – reissued as 2008-003
2006-005	Illegal Advances	No	Not corrected – reissued as 2008-002 and 2008-004



Mary Taylor, CPA
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 13, 2009**