
ALGER & ASSOCIATES, Inc

CERTIFIED PUBLIC ACCOUNTANTS



FRANKLIN TOWNSHIP

RICHLAND COUNTY, OHIO

AAAA
REGULAR AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2010 & 2009



Dave Yost • Auditor of State

Board of Trustees
Franklin Township
1367 Roush Road
Shelby, Ohio 44875-9381

We have reviewed the *Independent Accountants' Report* of Franklin Township, Richland County, prepared by Alger & Associates, LLC, 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Noncompliance Finding – Finding For Recovery Fiscal Officer Salary Repaid Under Audit

Per ORC Section 507.09, a Township fiscal officer salary is based on the annual budget of the township. The Township's budget is \$750,000 to \$1,500,000 for both 2010 and 2009 so the Fiscal Officer's annual salary is \$16,977. Review of W-2's or the UAN payroll register indicated overpayment of \$2,829 occurred.

Year	Payment Source	Paid	Authorized	Overage
2010	W-2	\$16,977	\$16,977	\$0
2009	UAN Payroll Register	\$19,806.50	\$16,977	\$2,829
	Overpayment			\$2,829

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Cindy Roush Schroeder, Fiscal Officer, in the amount of \$2,829, and in favor of Richland Township's General Fund, in the amount of \$2,829.

Cindy Roush Schroeder repaid the Findings for recovery by personal check in the amount of \$2,829 and was deposited by the Township on December 28, 2011. Therefore, this Finding for Recovery has been repaid in full.

Noncompliance Finding – Finding For Recovery Trustee Salary Repaid Under Audit

Per ORC Section 505.24, township trustee salary is based on the annual budget of the township. The Township’s budget is \$750,000 to \$1,500,000 for both 2010 and 2009 so the Trustees approved daily rate is \$51.44 (not to exceed 200 days per year) which computes to \$10,288 annually. Review of W-2’s or the UAN payroll register indicated an overpayment of \$5,143 occurred.

<u>Year</u>	<u>Payment Source</u>	<u>Paid</u>	<u>Authorized</u>	<u>Overage</u>
2010	W-2	\$14,403.20	\$10,288	\$4,115
2009	UAN Payroll Register	\$11,316.80	\$10,288	\$1,028
	Overpayment			\$ 5,143

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kenneth E. Levering, Jr, Trustee in the amount of \$5,143, and in favor of Franklin Township’s General Fund, in the amount of \$5,143.

Kenneth E. Levering repaid the Findings for Recovery in the amount of \$5,143 and was deposited by the Township on April 23, 2012. Therefore, this Finding for Recovery has been repaid in full.

Noncompliance Finding – Finding For Recovery Trustee Salary

Per ORC Section 505.24, township trustee salary is based on the annual budget of the township. The Township’s budget is \$750,000 to \$1,500,000 for both 2010 and 2009 so the Trustees approved daily rate is \$51.44 (not to exceed 200 days per year) which computes to \$10,288 annually. Review of W-2’s or the UAN payroll register indicated an overpayment of \$5,143 occurred.

Year	Payment Source	Paid	Authorized	Overage
2010	W-2	\$14,403.20	\$10,288	\$4,115
2009	UAN Payroll Register	\$11,316.80	\$10,288	\$1,028
	Trustee Overpayment			\$5,143
	Trustees			X 3
	Total Trustee Overpayment			\$15,429
	Ken Levering Repayment			5,143
	Unresolved FFR			\$10,286

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against John K. McCarron, Trustee, in the amount of \$5,143 and in favor of Richland Township’s General Fund, in the amount of \$5,143.

Trustee John McCarron has started repaying this by having amounts deducted from his payroll check starting February 2012.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Township Officers signed the warrants resulting in improper payments. Township Trustees Kenneth E. Levering Jr and Jeffery Lee Kuhn and Fiscal Officer Cindy Roush Schroeder, and their bonding companies, Ohio Plan Risk Management, Inc., Ohio Government Risk Management Plan, and Selective Insurance Company of America, respectively, will be jointly and severally liable in the amount of \$5,143 and in favor of the General Fund to the extent that recovery is not obtained from Trustee John K. McCarron.

Also since you signed Trustee Jeffrey Kuhn’s payroll checks, you and your bonding company will be jointly and severally liable in the amount of \$5,143 and in favor of the general fund to the extent recovery is not obtained from Trustee Jeffrey Kuhn.

Noncompliance Finding – Finding For Recovery Trustee Salary

Per ORC Section 505.24, township trustee salary is based on the annual budget of the township. The Township’s budget is \$750,000 to \$1,500,000 for both 2010 and 2009 so the Trustees approved daily rate is \$51.44 (not to exceed 200 days per year) which computes to \$10,288 annually. Review of W-2’s or the UAN payroll register indicated an overpayment of \$5,143 occurred.

Year	Payment Source	Paid	Authorized	Overage
2010	W-2	\$14,403.20	\$10,288	\$4,115
2009	UAN Payroll Register	\$11,316.80	\$10,288	\$1,028
	Trustee Overpayment			\$5,143
	Trustees			X 3
	Total Trustee Overpayment			\$15,429
	Ken Levering Repayment			5,143
	Unresolved FFR			\$10,286

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jeffrey Lee Kuhn, Trustee in the amount of \$5,143, and in favor of Franklin Township’s General Fund, in the amount of \$5,143.

Trustee Jeffrey Kuhn started repaying this by having amounts deducted from his payroll checks starting February 2012.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Township Officers signed the warrants resulting in improper payments. Township Trustees Kenneth E. Levering Jr. and John K. McCarron and Fiscal Officer Cindy Roush Schroeder, and their bonding companies, Ohio Plan Risk Management, Inc., Ohio Plan Risk Management, Inc., and Selective Insurance Company of America, respectively, will be jointly and severally liable in the amount of \$5,143 and in favor of the General Fund to the extent that recovery is not obtained from Trustee Jeffrey Kuhn.

Also since you signed Trustee John K McCarron’s payroll checks, you and your bonding company will be jointly and severally liable in the amount of \$5,143 and in favor of the general fund to the extent recovery is not obtained from Trustee John McCarron.

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.

Board of Trustees
Franklin Township
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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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

June 25, 2012

FRANKLIN TOWNSHIP
RICHLAND COUNTY

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ALGER & ASSOCIATES, Inc

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

Franklin Township
1367 Roush Rd.
Shelby, Ohio 44875

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Richland 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 opinions 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.

6927 Burgundy Ave. N.W.
North Canton, OH 44720
(330) 353-5851

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, 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, Richland 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012, 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.

Alger & Associates, Inc

March 15, 2012

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$29,725	\$201,699	\$231,424
Charges for Services	0	117,863	117,863
Licenses, Permits, and Fees	285	0	285
Intergovernmental	30,830	124,649	155,479
Earnings on Investments	314	0	314
Total Cash Receipts	61,154	444,211	505,365
Cash Disbursements:			
Current:			
General Government	140,189	99,068	239,257
Public Safety	0	98,218	98,218
Public Works	0	131,291	131,291
Health	0	19,257	19,257
Capital Outlay	38,140	124,202	162,342
Debt Service:			
Redemption of Principal	0	73,285	73,285
Interest and Other Fiscal Charges	0	15,906	15,906
Total Cash Disbursements	178,329	561,227	739,556
Total Receipts Over/(Under) Disbursements	(117,175)	(117,016)	(234,191)
Other Financing Receipts/(Disbursements):			
Other Debt Proceeds	0	202,400	202,400
Sale of Fixed Assets	0	22,573	22,573
Other Financing Sources	33,334	0	33,334
Other Financing Uses	0	(1,030)	(1,030)
Total Other Financing Receipts/(Disbursements)	33,334	223,943	257,277
Net Change in Fund Cash Balances	(83,841)	106,927	23,086
Fund Cash Balance, January 1	120,340	272,098	392,438
Fund Cash Balance, December 31	\$36,499	\$379,025	\$415,524

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

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**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$86,868	\$154,254	\$241,122
Charges for Services	440	123,723	124,163
Licenses, Permits, and Fees	724	1,187	1,911
Intergovernmental	30,587	124,059	154,646
Earnings on Investments	1,636	0	1,636
Miscellaneous	600	2,480	3,080
Total Cash Receipts	120,855	405,703	526,558
Cash Disbursements:			
Current:			
General Government	103,773	96,953	200,726
Public Safety	0	108,160	108,160
Public Works	0	121,321	121,321
Health	0	87	87
Human Services	0	1,252	1,252
Capital Outlay	0	134,686	134,686
Debt Service:			
Redemption of Principal	0	37,136	37,136
Interest and Other Fiscal Charges	0	8,437	8,437
Total Cash Disbursements	103,773	508,032	611,805
Total Receipts Over/(Under) Disbursements	17,082	(102,329)	(85,247)
Other Financing Receipts/(Disbursements):			
Sale of Fixed Assets	30,000	0	30,000
Net Change in Fund Cash Balances	47,082	(102,329)	(55,247)
Fund Cash Balance, January 1 (See Note 3)	73,258	374,427	447,685
Fund Cash Balance, December 31	\$120,340	\$272,098	\$392,438

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

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**FRANKLIN TOWNSHIP
RICHLAND 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 the Franklin Township, Richland 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, 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 invests in money market mutual funds (including STAR Ohio), and these are recorded at share values the mutual funds report.

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:

FRANKLIN TOWNSHIP
RICHLAND COUNTY

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

1. Summary of Significant Accounting Policies – (continued)

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:

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 for constructing, maintaining, and repairing Township roads.

Fire Levy Fund – This fund’s receipts are generated from a restricted Township tax levy and are only to be utilized to assist in providing fire protection for the residents of the Township.

Ambulance and Emergency Fund - This fund receives EMS payments from people and insurance companies requesting ambulance service from 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. Appropriations lapse at year end.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

1. Summary of Significant Accounting Policies – (continued)

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.

A summary of 2010 and 2009 budgetary activity appears in Note 4.

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:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$397,060	\$392,392
Sweep Account	18,464	46
Total Deposits & Investments	<u>\$415,524</u>	<u>\$392,438</u>

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

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

3. Prior Period Adjustment

The prior year's audited fund balances was adjusted to reflect the actual fund balances as reconciled to the bank and investment balances.

<u>For 2009</u>	<u>General Fund</u>
Fund Cash Balance, December 31, 2008	\$62,911
Before Adjustments	
Prior Period Adjustment	10,347
Fund Cash Balance, December 31, 2008	<u>\$73,258</u>

4. Budgetary Activity

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

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$165,373	\$94,488	(\$70,885)
Special Revenue	785,426	669,184	(116,242)
Total	<u>\$950,799</u>	<u>\$763,672</u>	<u>(\$187,127)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$163,200	\$178,329	(\$15,129)
Special Revenue	400,800	562,257	(161,457)
Total	<u>\$564,000</u>	<u>\$740,586</u>	<u>(\$176,586)</u>

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$186,341	\$150,855	(\$35,486)
Special Revenue	735,116	405,703	(329,413)
Total	<u>\$921,457</u>	<u>\$556,558</u>	<u>(\$364,899)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$171,000	\$103,773	\$67,227
Special Revenue	634,000	508,032	125,968
Total	<u>\$805,000</u>	<u>\$611,805</u>	<u>\$193,195</u>

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

5. 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.

6. Debt

The prior audited report reflects an Ambulance debt of \$5,843 and a Pumper Tanker debt of \$77,104. The Ambulance, according to the Title, was paid off on August 6, 2007. The Township does not have any debt for the Pumper Tanker in the amount of \$77,104, as of 12/31/2008; however, the Township does have debt for a Pumper Fire Truck in the amount of \$117,969 as noted in the prior audited report as the Richland Bank-line.

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Backhoe	\$39,617	3.60%
Fire Truck	70,307	5.5%
Dump Truck	83,260	4.4%
Ambulance Squad	85,258	4.4%
	\$278,442	

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

	Backhoe Key Bank Principal	Interest	Fire Truck Richland Bank Principal	Interest
2011	\$15,424	\$1,289	\$22,267	\$3,039
2012	15,984	728	25,604	2,003
2013	8,209	148	22,436	569
Total	\$39,617	\$2,165	\$70,307	\$5,611

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

6. Debt – (continued)

	Dump Truck Farmers Bank		Ambulance Squad Farmers Bank	
	Principal	Interest	Principal	Interest
2011	\$19,252	\$3,065	\$19,420	\$3,403
2012	19,816	2,501	20,291	2,561
2013	20,706	1,611	21,203	1,650
2014	21,635	682	22,154	752
2015	1,851	21	2,190	21
Total	<u>\$83,260</u>	<u>\$7,880</u>	<u>\$85,258</u>	<u>\$8,387</u>

7. Retirement Systems

The Township’s employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, members contributed 10% of their gross salaries, respectively. The Township contributed an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2010.

8. Risk Management

Through December 31, 2008, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate nonprofit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

8. Risk Management – (continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Township does not participate in this coverage. Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	2009 OPRM	2009 OPHC	2009	2008
Assets	\$11,176,186	\$ 1,358,802	\$12,534,988	\$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Members’ Equity	\$ 6,323,701	\$ 105,185	\$ 6,428,886	\$ 5,184,333

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

8. Compliance

- The Township was not making timely deposits for the year ended December 31, 2008 contrary to Ohio Revised Code Section 9.38.
- The Township did not properly encumber all commitments required by Ohio Revised Code Section 5705.41(D) in 2010 and 2009.
- Contrary to Ohio Revised Code Section 5705.41(B), the Township had expenditures in excess of appropriations in 2010 and 2009.
- The Township did not certify its appropriations with the County Auditor within the prescribed timeline for 2010 and 2009 which is contrary to Ohio Revised Code Section 5705.38(A).
- Contrary to the Ohio Revised Code Section 5705.39 the Township had appropriations in excess of estimated resources in several funds in 2010 and 2009.
- The Township had a negative cash balance in two funds for the years ended December 31, 2010 and December 31, 2011, contrary to Ohio Revised Code Section 5705.10.
- Contrary to the Ohio Revised Code Section 5705.36(A)(4), the Township had appropriations in excess of available resources, which are defined as actual receipts plus unencumbered fund balance.
- The Township did not follow proper competitive bidding procedures contrary to Ohio Revised Code Section 5549.21 when the Township had purchases of materials, machinery, and tools in the amount in excess of twenty-five thousand dollars, and contracts for the maintenance or repair of roads, where the amount involved exceeds \$45,000.
- The Township did not follow proper competitive bidding procedures contrary to Ohio Revised Code Sections 505.37 and 505.376 for equipment for fire protection and communication purposes estimated to exceed \$50,000.
- Contrary to the Ohio Revised Code Section 5705.14, 5705.15, and 5705.16 the Township made advances during 2010 and 2009, without obtaining a formal approval by the Trustees.



ALGER & ASSOCIATES, Inc
Certified Public Accountants

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

Franklin Township
Richland County
1367 Roush Rd.
Shelby, Ohio 44875

To the Board of Trustees:

We have audited the financial statements of Franklin Township, Richland County, Ohio (the Township), as of and for the year ended December 31, 2009 and 2010, and have issued our report thereon dated March 15, 2012, 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 findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 findings 2010-001 through 2010-012 described in the accompanying schedule of findings to be 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 or other matters we must report under *Government Auditing Standards* are described in the accompanying schedule of findings as items 2010-001 through 2010-015

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 15, 2012.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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

Alger & Associates, Inc
March 15, 2012

FRANKLIN TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

Material Non-Compliance

FINDING NUMBER 2010-001

Ohio Rev. Code §507.09 provides the limit on the maximum compensation to be paid to a Township Fiscal Officer and the Trustees. In both 2010 and 2009, Franklin Township's total budget fell within a range setting the fiscal officer's maximum salary allowable at \$16,977 for each year and the Trustees salary at \$10,288 for each year.

In 2009 the Fiscal Officer was paid correctly, however, in 2010, the Fiscal Officer received a total salary of \$19,806. The Trustees received a salary in 2010 and 2009 in the amount of \$14,403 and \$19,806 respectively. Based on Ohio Revised Code Section 507.09 and the Township's budget for both years combined, the Fiscal Officer was overpaid by \$2,829 and the Trustees were overpaid by \$5,144.

The Fiscal Officer and Mr. Levering, Trustee, has repaid overpayment under audit.

FINDING NUMBER 2010-002

Ohio Revised Code §507.11 provides that no money belonging to the Township shall be paid out except upon an order signed personally by at least two of the Township Trustees and countersigned by the Township Fiscal Officer.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The prior Fire Chief maintained a flower fund checking account in which none of the expenditures were submitted to the Governing Board for approval and the warrants were not properly signed off in accordance with the Revised Code Section.

We recommend all requests for expenditure be properly submitted to the Board of Trustees and all warrants issued should be signed as indicated in this Code Section.

FRANKLIN TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

FINDING NUMBER 2010-003

Ohio Rev. Code §9.38 states that public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt if the total amount of such moneys received exceeds one thousand dollars.

For example, a Township employee, other than the Fiscal Officer collecting funds and issuing a receipt, must deposit the funds with the Township's Fiscal Officer on the business day following the day of receipt if the total amount of moneys received exceeds one thousand dollars. As an alternative to depositing the funds with the Township's Fiscal Officer, the employee instead may deposit funds with the Township's designated depository on the business day following the day of receipt.

Pursuant to Ohio Rev. Code §9.38 if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public-office is governed by a legislative authority (counties, municipalities, townships, and school Townships), only the legislative authority may adopt the policy.

The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

The Township's prior Fire Chief maintained separate checking accounts in which he received monies without depositing the monies with the Fiscal Officer.

This could cause error and irregularities to occur without detection.

We recommend all monies collected by employees of the Township be deposited in accordance with this Revised Code Section. The checking account at the Fire Department should be closed and all monies deposited to the Fiscal Officer.

FINDING NUMBER 2010-004

Ohio Rev. 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 there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation...has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

FINDING NUMBER 2010-004 – (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" at the time that he is completing his certification "now", 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 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing Township.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 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 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 line item appropriation.

Of the 60 expenditures tested we found 2 instances of non-compliance attributed to the Fiscal Officer and all the expenditures from the checking accounts maintained by the prior Fire Chief were not properly submitted to the Fiscal Officer for certification.

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 and aid in the posting of the expenditures to the correct department.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

FINDING NUMBER 2010-004 – (continued)

To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Trustees ensure that departmental supervisors are not purchasing goods or services prior to the Fiscal Officer certifying that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend that the Township certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language as set forth in 5705.41(D) (1) to authorize disbursements.

Implementation of the recommendation may help the Township come into compliance with the Ohio Revised Code.

FINDING NUMBER 2010-005

Ohio Rev. Code §5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. As of December 31, 2010 and 2009, the following funds had expenditures in excess of appropriations:

2010 <u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$163,200	\$178,329	\$(15,129)
Gasoline Tax	84,000	96,091	(12,091)
Road & Bridge	45,000	86,421	(41,421)
Permissive Sales Tax	64,000	136,217	(72,217)
Ambulance & Emergency Med	70,000	122,188	(52,188)

2009 <u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Road & Bridge	\$ 67,000	\$80,964	\$(13,964)
Permissive Sales Tax	120,000	257,685	(137,685)

This situation increases the likelihood that deficit spending could occur. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

FINDING NUMBER 2010-006

Ohio Rev. Code §5705.38 (A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Township failed to file an appropriation measure within the prescribed timeline for fiscal year 2009, and filed an unbalanced appropriation measure in 2010. A variance between summary and the break-out was never cleared with the County Auditor therefore the County Auditor did not certify a "Do Not Exceed" certificate.

The Township should file their balanced annual appropriations measure with the county audit by the required date.

FINDING NUMBER 2010-007

Ohio Rev. Code §5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. An appropriation measure is not effective until the County Auditor certifies that appropriations from each fund do not exceed the total official estimate approved by the County Budget Commission. Appropriations exceeded the total estimated resources for Motor Vehicle License Tax Fund by \$19,376.64 and the Ambulance and Emergency Medical Fund by \$30,651.29 as of December 31, 2009.

Appropriations in excess of estimated resources could result in overspending, leading to negative fund balances. The Township should ensure appropriations and estimated resources are monitored, and that revisions are made as necessary, as well as accurately and timely submission of documentation to the County Auditor.

We recommend the Fiscal Officer and the Trustees monitor appropriations throughout the year to ensure that they do not exceed the total estimated resources. No expenditures or commitments should be made until the County Auditor certifies that the appropriations from each fund do not exceed the official estimates.

FINDING NUMBER 2010-008

Ohio Revised Code §5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenditures of another fund.

The Township had a negative fund balance at December 31, 2010 and 2009.

<u>Fund</u>	<u>2010</u>	<u>2009</u>
Road & Bridge	\$ (19,166)	\$ (7,136)

FRANKLIN TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

Fire Levy \$(73,206) \$ (70,504)

FINDING NUMBER 2010-008 – (continued)

We recommend the Township Trustees and Fiscal Officer monitor their fund balances and, when a deficit occurs and is expected to be temporary (i.e., pending the receipt of a grant, tax settlement, etc), we recommend the Township advance monies from the General Fund until the debtor fund can advance the monies back. In this case we recommend that expenditures and income be monitored by the Fiscal Officer and Trustees to prevent the funds from going into the negative.

FINDING NUMBER 2010-009

Ohio Rev. Code §5705.36 (A) (4) requires obtaining a reduced amended certificate in the amount of the deficiency will reduce available resources below the current level of appropriations. The Township had appropriations in excess of total available resources (which is beginning unencumbered balance plus actual receipts) in the Motor Vehicle License Tax Fund by \$18,752 and in the Permissive Sales Tax Fund by \$3,110 at December 31, 2009.

We recommend the Township Fiscal Officer and Trustees monitor the actual receipts, especially towards year-end, and compare to the estimated resources as certified by the County Budget Commission. Should it be determined that the actual receipts will fall below the estimated, a request should be made by the Fiscal Officer to reduce the certified resources and an appropriate reduction should be made to the fund appropriations by resolution of the Board of Township Trustees.

FINDING NUMBER 2010-010

Ohio Rev. Code §5549.21 states that all purchases of materials, machinery, and tools shall, if the amount involved exceeds twenty-five thousand dollars, and contracts for the maintenance or repair of roads, where the amount involved exceeds \$45,000, the board must advertise once, not later than two weeks prior to the letting of the contract, in a newspaper published in the county and of general circulation in the township. Award must be to the lowest responsible bidder. [Section 5575.01].

Also Ohio Revised Code Sections 505.37 and 505.376 requires bidding for contracts of equipment for fire protection and communication purposes estimated to exceed \$50,000.

The Township had repaired roads, purchased limestone and asphalt for roads for a total of \$67,862.95 in August of 2010 and \$52,923.18 in August of 2009 from Lloyd Porter & Porter. On November 19, 2009, the Township placed a down payment of \$ \$127,686.00 for the purchase of an ambulance. The purchase was not subjected to competitive bidding procedures. This could result in the Township failing to obtain the best possible price.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

We recommend the Board of Trustees review the competitive bidding requirements and ensure that are future applicable contracts and purchases are entered into after completing the competitive bidding requirements.

FINDING NUMBER 2010-011

Ohio Rev. Code §5705.14, §5705.15, and §5705.16 discusses when it is allowable by a government subdivision to transfer funds from one fund to any other fund. Money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority. No other funds may transfer money to another fund unless it meets the guidelines set forth in the code sections.

Though no statutory provisions directly address inter-fund advances, the following requirements are in part derived from Ohio Rev. Code Sections: 5705.10 (restriction on the purpose for which funds may be used); 5705.14, 5705.15, and 5705.16 (transfer of funds); 5705.39 (appropriations limited to estimated resources); 5705.41 (restriction on appropriation/ expenditure of money); and 5705.36 (certification of available revenue). Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions.

During 2010 and 2009, the Township made advances from the General Fund to the Road & Bridge Fund in the amount of \$30,000 in 2010 and \$20,000 in 2009 without obtaining a formal resolution by the Trustees 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.

We recommend the Township approve each advance as required by this statute.

FINDING NUMBER 2010-012

Ohio Revised Code §507.04 This code requires the Township to maintain an accurate record of the Township's accounts and transactions.

The Fiscal Officer should maintain accurate and complete accounting records sufficient to assure accountability for all transactions, including accurate and timely bank to book monthly cash reconciliations and complete and accurate accounting records. The Fiscal Officer should also maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to a uniform chart of accounts to help ensure that financial activity of the Township is accurately recorded and reported

The Fiscal Officer maintained two sets of books - Quicken and the UAN system (provided by the Auditor of State's Office). The Fiscal Officer reconciled the bank and investment accounts to the

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

Quicken system, however the Quicken system did not provide for any type of reconciliation to individual funds.

FRANKLIN TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

FINDING NUMBER 2010-012

We noted the beginning balances did not agree with the bank balances which required a restatement to the beginning balances as noted in Note 3.

The following audit adjustments were made to the December 31, 2009 financial statements:

1. General Fund:
 - Property and Other Local Taxes - Adjustment required in the amount of \$7,540 and \$16,318 to the Road and Bridge Fund and Fire Levy Fund respectively to account for Homestead and Rollback receipts posted to the General Fund. Also, an adjustment required of \$26,818 to properly reflect the actual Property Tax receipts per the revenue ledgers. The financial statements reflected \$113,686; however, the revenue ledgers reflect \$86,868.
 - Property Tax receipts - Reclassification of \$4,149 of Homestead and Rollback receipts to Intergovernmental revenue.
 - Miscellaneous Receipts - Reclassification of \$30,000 to Sale of Assets to properly reflect the sale of a Dump Truck.
 - General Government - adjustment required \$13,069 to properly reflect the actual expenditures. The financial statements reflected \$116,842; however the expenditure ledger reflects actual expenditures of \$103,773.
 - Advance - Adjustment of \$20,000 to remove an advance from the General fund to the Road & Bridge fund because the advance was not approved by the Board.
2. Gasoline Tax Fund
 - General Government - Adjustment of \$1,313 to agree the expenditure ledger to the financial statements. The financial statements reflected \$24,939; however, the expenditure ledgers reflect \$23,626. Also an adjustment is required in the Public Safety account for \$9,942 to agree the expenditure ledger to the financial statements. The financial statements reflected \$57,479, however the expenditure ledger reflect \$47,537.
3. Road & Bridge Fund
 - Advance In - An adjustment to remove an advance of \$20,000 not properly approved by the Board.

FRANKLIN TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

FINDING NUMBER 2010-012 – (continued)

4. Fire Levy Fund
 - General Government - adjustment to remove \$5,773 in expenditures. The financial statements reflected \$50,030; however the expenditure ledger reflects \$44,257. Also an increase of \$26,108 was required to adjust the financial statements to agree with the actual expenditures in the Public Safety account. The financial statements reflected \$38,014; however, the expenditure ledger reflects actual expenditures of \$64,122.
 - Capital Outlay - Adjustment of \$127,686 not reflected on the financial statements.
 - Redemption of Principal and Interest - reclassification of \$17,227 and \$5,607 of debt expenditures from the General Government and the Public Safety accounts.
5. Permissive Sales Tax
 - General Government - Adjustment to remove \$9,969 and \$40 in expenditures in the Public Safety accounts. The financial statements show \$17,500 and \$4,067 respectively; however, the review of the expenditure ledger indicates the actual amounts of \$7,531 and \$4,027 respectively.
 - Redemption of Principal - Reclassification of \$7,245 and \$1,111 of debt expenditures from General Government account.
6. Ambulance and Emergency Medical Services
 - Charges for Services - Adjustment of \$33,124 to properly reflect the actual revenues. The financial statements reflected \$63,962; however, the revenue ledger reflects \$97,086.
 - Redemption of Principal and Interest - Reclassification of \$1,119 and \$2,933 of debt expenditures and interest respectively. The financial statements reflected \$10,745 in Redemption of Principal; however, the expenditure ledger reflects \$12,664. The interest was not reflected on the financial statements.

The following audit adjustments were made to the December 31, 2010 financial statements:

1. General Fund:
 - Property and Other Local Taxes – reclassification of Homestead and Rollback Taxes of \$3,227 to Intergovernmental for proper presentation.
 - Property and Other Local Taxes – adjustment required in the amount of \$7,503 and \$16,277 to the Road and Bridge Fund and Fire Levy Fund respectively to account for Homestead and Rollback Taxes receipts posted to the General Fund.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

FINDING NUMBER 2010-012 – (continued)

- Charges for Services - reclassification of energy grant from Charges for Services to Other Financing Sources of \$33,334.
 - Charges for Services - adjustment of \$22,573 to the Sale of Fixed Assets in the Road and Bridge Fund for the sale of the Township backhoe.
 - General Government - reclassification of \$38,140 for payment of land to Capital Outlay and an adjustment required to eliminate the \$62,624 for a bank cash transfer and not an expenditure. Also, an adjustment of \$29,938 to agree the financial statements to the actual expenditures.
 - Advances Out - adjustment to eliminate the \$30,984 advance from the General fund to the Road & Bridge fund because the advance was not approved by the Board.
 - Other Financial Uses - reclassification of various expenditures in the amount of \$7,937 for proper presentation.
2. Gasoline Tax Fund:
- Human Services - reclassification of expenditures in the amount of \$10,000 from to the Public Works not properly posted.
 - Capital Outlay - reclassification of \$20,000 from to the Public Works not properly posted.
 - Public Works - reclassification of \$7,375 to Debt Redemption of Principal including \$981 in interest.
3. Fire Levy Fund:
- Public Safety – reclassification of \$18,397 from Health account to Public Safety account.
 - Debt Redemption of Principal - reclassification of \$20,002 from Interest and Other Fiscal Charges account to Redemption of Principal account.
 - Other Financing Uses - reclassification required of \$19,105 Other Financial Uses to Redemption of Principal account.
4. Permissive Sales Tax Fund:
- Property and Other Local Taxes adjustment required of \$4,927 to agree the financial statements to the revenue ledgers. The financial statements reflect \$64,673 and the receipts ledger reflected \$59,746.
 - General Government – reclassification from the General Government to the Debt-Redemption of Principal for \$25,848 and Interest and Other Fiscal Charges of \$4,927.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

FINDING NUMBER 2010-012 – (continued)

Also, an adjustment was made to reduce the General Government of \$10,972 to agree to the financial statements to the expenditure ledger. The financial statements reflect \$43,889 and the expenditure ledger reflected \$32,917.

- Capital Outlay - Reclassification of \$68,671 from Other Financing Uses to Capital Outlay for the down payment of a truck.

5. Ambulance and Emergency Medical Services:

- Charges for Services – Adjustment required of \$6,503 to agree the financial statements to the revenue ledger. The financial statements reflect \$110,019 and the receipts ledger reflected \$116,522.
- Public Safety – Adjustment required of \$23,769 to agree the financial statements to the expenditure ledger. The financial statements reflect \$41,858 and the expenditure ledger reflected \$65,627.
- Capital Outlay – Adjustment required of \$55,531 not included on the financial statements.

Several other immaterial reclassifications and adjustment were made to the financial statements of the Township to properly reflect the receipts and expenditure to the financial statements. This included transactions not posted, transactions posted twice and/or voided transactions.

The adjustments and reclassifications identified above should be reviewed by the Fiscal Officer and Board of Trustees to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the Township should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statements information to ensure it accurately reflects the Township's activity.

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

Failure to maintain accurate and complete accounting records and consistently follow a uniform chart of accounts increases the possibility that the Township will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. The Township should also refer to the UAN Accounting Training manual for additional guidance in recording receipts and expenditures in the UAN System. In addition, the Township should review the financial statements and notes prior to submission for audit.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

Non-Compliance

FINDING NUMBER 2010-013

Internal Revenue Code (IRC) Chapter 26 [26 U.S.C.] - Collection of Income Tax at Source on Wages; 26 U.S.C. §3401 through §3406:

This section requires the employing government to withhold federal, state, and local income and employment-related taxes (such as Medicare). They also require the government to report those tax matters to the appropriate tax authorities and to the recipients. Withholding form 941's were not always reconciled.

During the audit period the Fiscal Officer did not deduct the appropriate taxes as outlined in this section from the volunteer firemen employed by the Township.

We recommend the Fiscal Officer should contact the Internal Revenue Service regarding the discrepancies, as well as, the Ohio Department of Taxation to determine the appropriate submission of the state tax withholdings. The Fiscal Officer should ensure all taxes are properly withheld in accordance with this code section.

FINDING NUMBER 2010-014

Internal Revenue Code (IRC) Chapter 26 [26 C.F.R.] – Reporting of income aggregating \$600 or more §1.6041-1 through §1.6041-2:

This section requires the Township to issue Forms 1099's to any independent contractor (other than a corporation) who has done \$600 or more of business during a year.

During the audit period the Fiscal Officer did not issue any 1099 forms.

We recommend the Fiscal Officer ensure Forms 1099's are sent out to all independent contractors who have done business with the township in accordance with this code section.

FINDING NUMBER 2010-015

Ohio Rev. Code §507.04(A), requires, in part, that the Township Fiscal Officer keep an accurate record of the proceedings of the board of Township Trustees at all of its meetings and of all its accounts and transactions. Franklin Township did not include all official business within their minutes. The minutes did not include the following:

- Approval of all bills, debt, resolutions, financial and budgetary reports, monthly bank reconciliations, all budgetary actions, all employee/contract labor rates and approval of all prior meeting minutes.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

FINDING NUMBER 2010-015 – (continued)

- The Trustees approve the previous meets during the subsequent township meetings by stating “the minutes from the prior meeting were approved and signed” for clarity the date of the prior minutes should be stated.
- The minute records identify who was in attendance; however, the minutes reflect the Fiscal Officer as a Board Member rather than the Fiscal Officer. The minute records should reflect clearly who is attending and what position they hold.
- The minutes should reflect the reasons the Board is entering into executive session.
- Fiscal Officer should sign all the minutes. It was noted in 2009 that 18 of 23 meeting minutes were not signed by the Fiscal Officer and 1 in 2010.
- The Trustees in attendance of the meeting should formally excuse the trustee that is not in attendance to reflect what is happening at the meetings.
- Trustees must approve all blanket and super blankets cannot approved generically.
- All new funds must be approved individually and may need Auditor of State approval. Funds cannot be approved by the Trustees in a generic authorization to the Fiscal Officer. If a fund is not authorized under Ohio Rev. Code Section 5705.09 or another Ohio Rev. Code section and the entity did not receive Auditor of State approval to establish the fund, propose the necessary findings for adjustment to remove the unauthorized fund(s) and place the activity in the General Fund or other appropriate fund.
- All dollar amounts received from auctions should be reflected in the minutes.
- Large and unusual purchases dollar amounts such as purchase of land should be reflected in the minutes.
- Within the minutes the Fiscal Officer did announce that the Ohio Public Works Commission (OPWC) confirms the Township did receive the grant for Kline Rd Bridge project; however, no amount was reflected in the minutes.

The minutes are the official voice of the Trustees and should contain all official actions. Without the detail of official actions in the minutes, the Township does not have a complete written record of the transaction of each meeting to support official action or evidence of monitoring controls over the financial reporting of the Township.

We recommend that all actions of the Trustees be approved in the minutes, the minutes be signed by the Fiscal Officer and Board President, and minutes be bound and safeguarded against loss.

OFFICIALS’ RESPONSES

As the Fiscal Officer and Trustees of Franklin Township, we will review the findings and institute the appropriate procedures to ensure the Township is in compliance.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Vacation Accrual	Yes	
2008-002	Ohio Revised Code 5705.14(E) – Transfer of Funds	No	Partially – The prior citation was due to the Trustees not approving the Transfers in the Minutes - This report reflects the Trustees did not obtain an order from the Common Pleas Court prior to making the Transfer



Dave Yost • Auditor of State

FRANKLIN TOWNSHIP

RICHLAND 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
JULY 10, 2012