



**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2007-2006**



**Mary Taylor, CPA**  
Auditor of State



TRURO TOWNSHIP  
FRANKLIN COUNTY

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Mary Taylor, CPA  
Auditor of State

Truro Township  
Franklin County  
6900 East Main Street  
Reynoldsburg, OH 43068

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

August 6, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Truro Township  
Franklin County  
6900 East Main Street  
Reynoldsburg, OH 43068

To the Board of Trustees:

We have audited the accompanying financial statements of Truro Township, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Township 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Truro Township, Franklin County, Ohio as of December 31, 2007 and 2006, 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 August 6, 2008, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 6, 2008

**TRURO 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**

|   | Governmental Fund Types |                    |                  |                     |                 | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|------------------|---------------------|-----------------|--------------------------------|
|   | General                 | Special<br>Revenue | Debt<br>Service  | Capital<br>Projects | Permanent       |                                |
| <b>Cash Receipts:</b>   |                         |                    |                  |                     |                 |                                |
| Property and Other Local Taxes  | \$129,161               | \$4,790,582        | \$0              | \$0                 | \$0             | \$4,919,743                    |
| Licenses, Permits, and Fees   | 15,963                  | 7,664              | 0                | 0                   | 0               | 23,627                         |
| Intergovernmental   | 80,055                  | 535,558            | 0                | 0                   | 0               | 615,613                        |
| Earnings on Investments   | 201,471                 | 16,070             | 0                | 38,889              | 1,302           | 257,732                        |
| Miscellaneous   | 921                     | 71,445             | 0                | 0                   | 0               | 72,366                         |
| <b>Total Cash Receipts</b>  | <b>427,571</b>          | <b>5,421,319</b>   | <b>0</b>         | <b>38,889</b>       | <b>1,302</b>    | <b>5,889,081</b>               |
| <b>Cash Disbursements:</b>  |                         |                    |                  |                     |                 |                                |
| Current:  |                         |                    |                  |                     |                 |                                |
| General Government  | 248,812                 | 0                  | 0                | 0                   | 0               | 248,812                        |
| Public Safety   | 0                       | 5,559,875          | 0                | 230,883             | 2,500           | 5,793,258                      |
| Debt Service:   |                         |                    |                  |                     |                 |                                |
| Redemption of Principal   | 0                       | 0                  | 64,000           | 0                   | 0               | 64,000                         |
| Interest and Other Fiscal Charges   | 0                       | 0                  | 139,165          | 0                   | 0               | 139,165                        |
| <b>Total Cash Disbursements</b>   | <b>248,812</b>          | <b>5,559,875</b>   | <b>203,165</b>   | <b>230,883</b>      | <b>2,500</b>    | <b>6,245,235</b>               |
| <b>Total Receipts Over/(Under) Disbursements</b>  | <b>178,759</b>          | <b>(138,556)</b>   | <b>(203,165)</b> | <b>(191,994)</b>    | <b>(1,198)</b>  | <b>(356,154)</b>               |
| <b>Other Financing Receipts / (Disbursements):</b>  |                         |                    |                  |                     |                 |                                |
| Transfers-In  | 0                       | 0                  | 123,896          | 0                   | 0               | 123,896                        |
| Transfers-Out   | 0                       | (123,896)          | 0                | 0                   | 0               | (123,896)                      |
| <b>Total Other Financing Receipts / (Disbursements)</b>   | <b>0</b>                | <b>(123,896)</b>   | <b>123,896</b>   | <b>0</b>            | <b>0</b>        | <b>0</b>                       |
| <b>Excess of Cash Receipts and Other Financing<br/>Receipts Over / (Under) Cash Disbursements<br/>and Other Financing Disbursements</b> | <b>178,759</b>          | <b>(262,452)</b>   | <b>(79,269)</b>  | <b>(191,994)</b>    | <b>(1,198)</b>  | <b>(356,154)</b>               |
| Fund Cash Balances, January 1   | 455,287                 | 3,418,665          | 292,747          | 191,129             | 70,928          | 4,428,756                      |
| <b>Fund Cash Balances, December 31</b>  | <b>\$634,046</b>        | <b>\$3,156,213</b> | <b>\$213,478</b> | <b>(\$865)</b>      | <b>\$69,730</b> | <b>\$4,072,602</b>             |

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

**TRURO 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, 2006**

|   | Governmental Fund Types |                    |                  |                     |                 | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|------------------|---------------------|-----------------|--------------------------------|
|   | General                 | Special<br>Revenue | Debt<br>Service  | Capital<br>Projects | Permanent       |                                |
| <b>Cash Receipts:</b>   |                         |                    |                  |                     |                 |                                |
| Property and Other Local Taxes  | \$117,950               | \$4,667,107        | \$0              | \$0                 | \$0             | \$4,785,057                    |
| Licenses, Permits, and Fees   | 0                       | 11,203             | 0                | 0                   | 0               | 11,203                         |
| Intergovernmental   | 80,767                  | 528,191            | 0                | 0                   | 0               | 608,958                        |
| Earnings on Investments   | 181,717                 | 15,801             | 2,856            | 73,899              | 2,627           | 276,900                        |
| Miscellaneous   | 872                     | 85,053             | 0                | 41,761              | 0               | 127,686                        |
| <b>Total Cash Receipts</b>  | <b>381,306</b>          | <b>5,307,355</b>   | <b>2,856</b>     | <b>115,660</b>      | <b>2,627</b>    | <b>5,809,804</b>               |
| <b>Cash Disbursements:</b>  |                         |                    |                  |                     |                 |                                |
| Current:  |                         |                    |                  |                     |                 |                                |
| General Government  | 241,566                 | 0                  | 0                | 0                   | 0               | 241,566                        |
| Public Safety   | 0                       | 4,857,369          |                  | 2,200,426           | 2,500           | 7,060,295                      |
| Debt Service:   |                         |                    |                  |                     |                 |                                |
| Redemption of Principal   | 0                       | 0                  | 62,000           | 0                   | 0               | 62,000                         |
| Interest and Other Fiscal Charges   | 0                       | 0                  | 141,023          | 0                   | 0               | 141,023                        |
| <b>Total Cash Disbursements</b>   | <b>241,566</b>          | <b>4,857,369</b>   | <b>203,023</b>   | <b>2,200,426</b>    | <b>2,500</b>    | <b>7,504,884</b>               |
| <b>Total Receipts Over/(Under) Disbursements</b>  | <b>139,740</b>          | <b>449,986</b>     | <b>(200,167)</b> | <b>(2,084,766)</b>  | <b>127</b>      | <b>(1,695,080)</b>             |
| <b>Other Financing Receipts / (Disbursements):</b>  |                         |                    |                  |                     |                 |                                |
| Transfers-In  | 0                       | 0                  | 366,098          | 0                   | 0               | 366,098                        |
| Transfers-Out   | 0                       | (366,098)          | 0                | 0                   | 0               | (366,098)                      |
| <b>Total Other Financing Receipts / (Disbursements)</b>   | <b>0</b>                | <b>(366,098)</b>   | <b>366,098</b>   | <b>0</b>            | <b>0</b>        | <b>0</b>                       |
| <b>Excess of Cash Receipts and Other Financing<br/>Receipts Over / (Under) Cash Disbursements<br/>and Other Financing Disbursements</b> | <b>139,740</b>          | <b>83,888</b>      | <b>165,931</b>   | <b>(2,084,766)</b>  | <b>127</b>      | <b>(1,695,080)</b>             |
| Fund Cash Balances, January 1   | 315,547                 | 3,334,777          | 126,816          | 2,275,895           | 70,801          | 6,123,836                      |
| <b>Fund Cash Balances, December 31</b>  | <b>\$455,287</b>        | <b>\$3,418,665</b> | <b>\$292,747</b> | <b>\$191,129</b>    | <b>\$70,928</b> | <b>\$4,428,756</b>             |
| Reserve for Encumbrances, December 31   | \$0                     | \$261,917          | \$0              | \$0                 | \$0             | \$261,917                      |

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

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 & 2006**

**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 Truro 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 participates in the Ohio Township Association Risk Management Authority (OTARMA), pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductibles. Note 7 to the financial statements provide additional information for this entity.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values corporate bonds at cost or fair value when donated. Money market mutual funds (including STAR Ohio) 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:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 & 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund**

This fund accounts for proceeds from specific sources (other than trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

Fire District Fund – This fund receives property tax money and other intergovernmental revenue for maintaining and operating the Township fire department.

**3. Debt Service Fund**

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Debt Retirement Fund: This fund receives monies to pay on the lease purchase agreement to construct a new fire house.

**4. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Project Fund:

Public Works Commission Project Fund - The Township received intergovernmental revenues from the Ohio Public Works Commission and proceeds from certificate of participation issued by a third party for the construction of the new fire house.

**5. Permanent Fund (Non-expendable Trust)**

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following significant Permanent Fund:

Silent Home Cemetery Bequest Fund – Interest earnings from this bequest are used for the maintenance and beautification of the Township's cemetery.

**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 of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 & 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated. The Township did not properly encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

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

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

**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 Cash and Investments**

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

|                                | 2007         | 2006         |
|--------------------------------|--------------|--------------|
| Demand deposits                | \$3,857,877  | \$4,074,337  |
| Total deposits                 | \$ 3,857,877 | \$ 4,074,337 |
| STAR Ohio                      | \$ -         | \$ 817       |
| Repurchase agreement           | \$ 214,725   | \$ 288,602   |
| Corporate Bonds                | \$ -         | \$ 65,000    |
| Total investments              | 214,725      | 354,419      |
| Total deposits and investments | \$4,072,602  | \$4,428,756  |

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

Of the total deposits for 2007 and 2006, \$213,198 and \$208,760, respectively, are attributable to the Debt Trust Account.

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 & 2006  
(Continued)**

**2. Equity in Pooled Cash and Investments (Continued)**

**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.

A financial institution's trust department holds the Township's corporate bonds in book entry form in the Township's name.

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

| 2007 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$311,844            | \$427,571          | \$115,727 |
| Special Revenue                   | 5,392,020            | 5,421,319          | 29,299    |
| Debt Service                      | 0                    | 123,896            | 123,896   |
| Capital Projects                  | 38,889               | 38,889             | 0         |
| Permanent                         | 2,400                | 1,302              | (1,098)   |
| Total                             | \$5,745,153          | \$6,012,977        | \$267,824 |

| 2007 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$403,589                  | \$248,812                 | \$154,777   |
| Special Revenue                                       | 7,357,753                  | 5,683,771                 | 1,673,982   |
| Debt Service  | 203,165                    | 203,165                   | 0           |
| Capital Projects                                      | 232,080                    | 230,883                   | 1,197       |
| Permanent   | 2,500                      | 2,500                     | 0           |
| Total   | \$8,199,087                | \$6,369,131               | \$1,829,956 |

| 2006 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$247,093            | \$381,306          | \$134,213 |
| Special Revenue                   | 5,039,072            | 5,307,356          | 268,284   |
| Debt Service                      | 366,098              | 368,954            | 2,856     |
| Capital Projects                  | 172,437              | 115,660            | (56,777)  |
| Permanent                         | 2,500                | 2,627              | 127       |
| Total                             | \$5,827,200          | \$6,175,903        | \$348,703 |

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 & 2006  
(Continued)**

**3. Budgetary Activity (Continued)**

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$399,980                  | \$241,566                 | \$158,414   |
| Special Revenue                                       | 6,750,165                  | 5,485,384                 | 1,264,781   |
| Debt Service  | 284,562                    | 203,023                   | 81,539      |
| Capital Projects                                      | 2,366,796                  | 2,200,426                 | 166,370     |
| Permanent   | 2,500                      | 2,500                     | 0           |
| Total   | \$9,804,003                | \$8,132,899               | \$1,671,104 |

Contrary to Ohio law, at December 31, 2007, the Capital Projects Fund had a cash deficit balance of \$865. In addition, appropriations exceeded estimated resources in several funds during January 2006.

**4. Property Tax**

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

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

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

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

**5. Lease Purchase Agreement**

The Board of Trustees declared its intent to construct and equip a new fire house for the Township. Ohio Revised Code 505.267 (and expanded 505.37) allows townships to enter into lease purchase agreements with respect to fire and police protection. To fund the fire house construction the Township went through Ohio Township Association Leasing, LLC (OTAL). OTAL issued \$3,345,000 in Certificates of Participation in May 2005. The Certificates are not debt of the Township. Under the terms of the lease, the Township will lease the project from OTAL for an annual payment equal to the principal payment due on OTAL's Certificates debt schedule. The Township will also make semi-annual payments equal to the interest payments on OTAL's Certificates debt schedule. The payments are subject to annual appropriation by the Township. The debt schedule is for 30 years ending on December 31, 2035. At the conclusion of the 30 year Renewable Lease Purchase Agreement, the Township obtains ownership of the fire house, the grounds, and any facility equipment.

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 & 2006  
(Continued)**

**5. Lease Purchase Agreement (Continued)**

The lease payments, including interest, are scheduled as follows:

|           | <u>Principal</u>   | <u>Interest</u>  | <u>Yearly Total</u> |
|-----------|--------------------|------------------|---------------------|
| 2008      | \$65,000           | \$135,996        | \$200,996           |
| 2009      | 67,000             | 133,948          | 200,948             |
| 2010      | 70,000             | 131,838          | 201,838             |
| 2011      | 72,000             | 129,493          | 201,493             |
| 2012      | 74,000             | 127,081          | 201,081             |
| 2013-2017 | 415,000            | 593,005          | 1,008,005           |
| 2018-2022 | 504,000            | 503,545          | 1,007,545           |
| 2023-2027 | 623,000            | 384,881          | 1,007,881           |
| 2028-2032 | 776,000            | 232,245          | 1,008,245           |
| 2033-2035 | 553,000            | 50,535           | 603,535             |
| Total     | <u>\$3,219,000</u> | <u>2,422,567</u> | <u>\$5,641,567</u>  |

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 & 2006 the Township contributed 10 and 24 percent of the fire fighters gross wages to OP&F. OPERS members, elected officials and part time employees, contributed 9 percent of gross wages for 2006 and 9.5 percent for 2007. The Township contributed this for full time employees and also 13.7 percent for 2006 and 13.85 percent for 2007 of gross salaries for all. The Township has paid all contributions required through December 31, 2007.

**7. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 & 2006  
(Continued)**

**7. Risk Management (Continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustments expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses.

Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 or \$3,000,000 as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

| <u>Combined Coverage</u> | <u>2007</u>    | <u>2006</u>    |
|--------------------------|----------------|----------------|
| Assets                   | \$43,210,703   | \$42,042,275   |
| Liabilities              | (\$13,357,837) | (\$12,120,661) |
| Retained Earnings        | \$29,852,866   | \$29,921,614   |

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 & 2006  
(Continued)**

**7. Risk Management (Continued)**

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$32,332. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

| <u>Contributions to OTARMA</u> |          |
|--------------------------------|----------|
| 2005                           | \$37,000 |
| 2006                           | \$33,018 |
| 2007                           | \$34,396 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The Township also provides health insurance and dental and vision coverage to full-time employees through Medical Mutual administered by Burnham and Flowers.



# 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*

Truro Township  
Franklin County  
6900 East Main Street  
Reynoldsburg, Ohio 43068

To the Board of Trustees:

We have audited the financial statements of Truro Township, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 6, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified 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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-004 and 2007-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe findings number 2007-004 and 2007-005 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated August 6, 2008.

#### **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 2007-001 through 2007-003 and 2007-006.

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 August 6, 2008

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



**Mary Taylor, CPA**  
Auditor of State

August 6, 2008

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
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|                       |                 |
|-----------------------|-----------------|
| <b>Finding Number</b> | <b>2007-001</b> |
|-----------------------|-----------------|

**Sale of Assets – Noncompliance**

Ohio Revised Code 5705.10 (F) states, in part, that proceeds from the sale of property other than a permanent improvement shall be paid into the fund from which such property was acquired or is maintained or, if there is no such fund, into the general fund.

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.

The Township received monies from the sale of a fire truck and posted those monies into the General Fund. However, when the Township purchases fire trucks, the disbursements are made from the Fire District Fund. Therefore, the monies received from the sale of the fire truck should have been receipted into the Fire District Fund, not the General Fund.

Interest revenue of \$2,063 derived from the Debt Service Reserve Fund held by the Bank of New York was improperly posted to the Capital Projects Fund in 2006, which resulted in a negative fund balance of \$865 for the Capital Projects Fund in 2007.

As noted in finding 2007-005 the Township has posted adjustments to the accounting system and financial statements to appropriately report the proceeds from the sale of the fire truck within the Fire District Fund. The Township's financial statements and accounting records have also been adjusted to properly post the interest revenue to the Debt Service Fund.

We recommend the Township post all receipts in accordance with all applicable laws set forth as statute for the Township.

|                       |                 |
|-----------------------|-----------------|
| <b>Finding Number</b> | <b>2007-002</b> |
|-----------------------|-----------------|

**Appropriations Exceeding Estimated Resources – Noncompliance**

Ohio Rev. Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Per our Budget vs. Actual testing, non compliance was noted during the year with the following funds at the time the original appropriations were adopted for year end 2006 or January 1 to January 30, 2006:

| Fund                   | Amount    |
|------------------------|-----------|
| General Fund           | \$ 95,158 |
| Motor Vehicle Tax Fund | 175       |
| Cemetery Fund          | 4,654     |
| Capital Projects Fund  | 724,105   |

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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|                       |                             |
|-----------------------|-----------------------------|
| <b>Finding Number</b> | <b>2007-002 (Continued)</b> |
|-----------------------|-----------------------------|

At year-end appropriations were within estimated resources.

We recommend the Township Board of Trustees implement procedures to avoid approving appropriations in excess of estimated resources as certified by the County Auditor.

|                       |                 |
|-----------------------|-----------------|
| <b>Finding Number</b> | <b>2007-003</b> |
|-----------------------|-----------------|

**Township Owned Cell Phones – Noncompliance**

The Township’s cell phone policy states in part that the Township provides cellular phones to supervisors as a business tool. They are provided to assist in communicating effectively with other employees and other agencies as deemed necessary.

The Township has also created acceptable use guidelines for cellular phones. Rules for the usage for cellular phones include, in part:

- The primary use of this phone is for Township (Fire Department) related business. The Township understands that the occasional personal call is acceptable, but not to excess. Bills will be monitored for any excessive usage.
- Under no circumstances should the Truro Township cellular phone be used as a replacement for a personal cell phone or residential land line.

Within the cell phone billings tested, we noted that the Fiscal Officer used approximately 29,026 minutes on personal calls. This is not only a violation of the above stated policy but may constitute a taxable fringe benefit requiring inclusion on the employee’s W-2 as gross income under Code of Federal Regulations Title 26 section 1.61-21.

The formal monitoring function established to review cell phone usage and charges made by Township employees did not consistently and effectively identify improper usage. In addition, the cell phone policy does not state what actions will be taken should an employee make excessive personal calls.

We recommend the Township determine the type of action that will be taken against employees who violate the cell phone policy and incorporate this information into the existing policy. The Township should also research applicable tax codes to determine if the personal use would be considered a taxable fringe benefit and include the amount on the employees’ W-2. Furthermore, we recommend the Township investigate and potentially modify its formal monitoring procedures to properly enforce the Township’s policy and guidelines for cellular usage.

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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|                       |                 |
|-----------------------|-----------------|
| <b>Finding Number</b> | <b>2007-004</b> |
|-----------------------|-----------------|

**Cash Reconciliations – Material Weakness/Significant Deficiency**

A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances.

All reconciliations performed by the Township had entries referred to as “carryover differences.” The carryover differences represented un-reconciled bank to book balances. At December 31, 2007 and 2006, variances in the reconciliations were \$9,561 and \$3,348, respectively. There was no indication that these variances were investigated or identified, nor are the amounts of the variances consistent from period to period. Additionally, investments were not included on the bank to book reconciliations by the Township. Failure to reconcile bank to book balances and include all bank accounts may result in errors or irregularities undetected by management and misguided decisions made by the Board based on inaccurate financial reports provided to them.

The unreconciled differences represent an overstatement of cash and investments and could contribute to additional misstatements or permit fraud to occur and remain undetected.

We recommend the Township reconcile all bank accounts to the books on a timely basis. In this process all reconciling items or errors should be identified and included on the face of the reconciliation. All un-reconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Township’s ledgers following the completion of the reconciliation.

|                       |                 |
|-----------------------|-----------------|
| <b>Finding Number</b> | <b>2007-005</b> |
|-----------------------|-----------------|

**Financial Reporting – Material Weakness/Significant Deficiency**

Sound financial reporting is the responsibility of the Township’s Management and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following errors were identified during the audit of the December 31, 2007 and 2006 year end financial statements and have been agreed to and posted by the Township to the accounting system and are reflected within the financial statements:

- The following items were posted to the wrong account:
  - Monies received from the sale of a fire truck in 2007 were posted to the General Fund instead of the Fire District Fund in the amount of \$30,000
  - Interest in the amount of \$2,063 should have been allocated to the Debt Service Fund, in relation to the Bank of New York interest.
  - Transfer of \$123,896 for 2007 posted from the Fire Fund to the Debt Service Fund to fund expenditures related to the debt benefiting the Fire Fund to ensure the debt service reserve bank account balance is fully represented in the Debt Service Fund.

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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|                       |                             |
|-----------------------|-----------------------------|
| <b>Finding Number</b> | <b>2007-005 (Continued)</b> |
|-----------------------|-----------------------------|

**Financial Reporting – Material Weakness/Significant Deficiency (Continued)**

- The following revenue items were classified incorrectly :
  - Interest Revenue was posted as Other Revenue in 2007 and 2006 in the amounts of \$38,889 and \$75,962 respectively.
  - Intergovernmental revenue received from property tax rollback in 2007 in the amount of \$222,194 was posted as Other Revenue.

The following unadjusted errors were identified during the audit of the December 31, 2007 and 2006 year end financial statements:

- The following revenue items were classified incorrectly or were not posted :
  - Public utility taxes were recorded as License, Permits, and Fees Revenue instead of Taxes Revenue for 2007 in the amount of \$15,963.
  - Intergovernmental revenue received from estate taxes in 2007 was recorded as Tax Revenue in the amount of \$6,887
  - Personal property tax loss reimbursements were reported as tax revenue and should be intergovernmental in the amount of \$312,991 and \$243,830 for special revenue funds and \$6,389 and \$3,799 for the general fund for 2007 and 2006 respectively.
  - \$1,738 of general fund interest was not posted.

Township Management should implement procedures to provide assurance that similar errors are not recorded in the financial accounting system and the financial statements in subsequent years.

|                       |                 |
|-----------------------|-----------------|
| <b>Finding Number</b> | <b>2007-006</b> |
|-----------------------|-----------------|

**Encumbrances – Noncompliance**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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.

TRURO TOWNSHIP  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)

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

|                |                      |
|----------------|----------------------|
| Finding Number | 2007-006 (Continued) |
|----------------|----------------------|

**Encumbrances – Noncompliance (Continued)**

**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 for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

22 percent and 21 percent of the transactions tested for 2007 and 2006 respectively were not certified by the fiscal officer at the time the commitment was incurred. In addition, we noted that all transactions were certified by using super blanket certifications. Super blanket certifications should only be used as specified above. There was no evidence that the Township followed any of the other aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used properly, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used. We further recommend that super blanket certificates are used only as set forth by statute.

Officials’ Response: We did not receive an Official response for the findings reported above.

**TRURO TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

| Finding Number | Finding Summary                            | Fully Corrected ? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b> |
|----------------|--|-------------------|---|
| 2005-001       | Fiscal Officer Salary Finding for Recovery | Yes               |   |



**Mary Taylor, CPA**  
Auditor of State

**TRURO 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  
SEPTEMBER 25, 2008**