

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY  
Regular Audit  
December 31, 2007 and 2006**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Franklin Township  
13705 State Route 644  
Hanoverton, Ohio 44423

We have reviewed the *Independent Accountants' Report* of Franklin Township, Columbiana County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 28, 2008

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**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

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

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT**

May 16, 2008

Franklin Township  
Columbiana County  
13705 SR 644  
Hanoveron, OH 44423

To the Board of Trustees:

We have audited the accompanying financial statements of **Franklin Township, Columbiana 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 the State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Franklin Township, Columbiana County, 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 aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. 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 May 16, 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.

Respectfully Submitted,

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



**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$ 10,157	\$ 78,307	\$ -	\$ 88,464
Intergovernmental	27,336	117,738	-	145,074
Other Revenue	521	169	-	690
	<u>38,014</u>	<u>196,214</u>	<u>-</u>	<u>234,228</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	22,614	331	-	22,945
Public Safety	-	37,056	-	37,056
Public Works	7,695	167,913	-	175,608
Health	4,298	-	-	4,298
Human Services				-
Conservation - Recreation				-
Miscellaneous				-
Contract Services				-
Miscellaneous				-
Debt Service:				
Redemption of Principal	3,094	2,368	666	6,128
Interest and Fiscal Charges	339	271	102	712
Supplies and Materials	-			-
Capital Outlay		5,850		5,850
	<u>38,040</u>	<u>213,789</u>	<u>768</u>	<u>252,597</u>
<b>Total Cash Disbursements</b>				
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>(26)</u>	<u>(17,575)</u>	<u>(768)</u>	<u>(18,369)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Fixed Assets	-	400	-	400
Advances-In	5	5	-	10
Advances-Out	(5)	(5)	-	(10)
	<u>-</u>	<u>400</u>	<u>-</u>	<u>400</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(26)</u>	<u>(17,175)</u>	<u>(768)</u>	<u>(17,969)</u>
<b>Fund Cash Balances, January 1</b>	<u>7,378</u>	<u>46,343</u>	<u>768</u>	<u>54,489</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 7,352</u>	<u>\$ 29,168</u>	<u>\$ -</u>	<u>\$ 36,520</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 98</u>	<u>\$ 425</u>	<u>\$ -</u>	<u>\$ 523</u>

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

**FRANKLIN TOWNSHIP  
COLUMBIANA 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**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$ 10,978	\$ 74,123	\$ -	\$ 85,101
Intergovernmental	27,294	122,301	-	149,595
Other Revenue	198	1,213	-	1,411
	<u>38,470</u>	<u>197,637</u>	<u>-</u>	<u>236,107</u>
<b>Total Cash Receipts</b>				
	<u>38,470</u>	<u>197,637</u>	<u>-</u>	<u>236,107</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	26,848	283	-	27,131
Public Safety	-	37,701	-	37,701
Public Works	5,549	142,580	-	148,129
Health	4,273	-	-	4,273
Debt Service:				
Redemption of Principal & Interest	1,435	4,396	-	5,831
Interest and Fiscal Charges	269	714	-	983
	<u>38,374</u>	<u>185,674</u>	<u>-</u>	<u>224,048</u>
<b>Total Cash Disbursements</b>				
	<u>38,374</u>	<u>185,674</u>	<u>-</u>	<u>224,048</u>
Total Cash Receipts Over/(Under) Disbursements	<u>96</u>	<u>11,963</u>	<u>-</u>	<u>12,059</u>
Fund Cash Balances, January 1	<u>7,281</u>	<u>34,380</u>	<u>768</u>	<u>42,429</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 7,377</b></u>	<u><b>\$ 46,343</b></u>	<u><b>\$ 768</b></u>	<u><b>\$ 54,488</b></u>
Reserve for Encumbrances, December 31	<u>232</u>	<u>709</u>	<u>-</u>	<u>941</u>

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

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Franklin Township, Columbiana County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected three-member Board of Trustees and a publicly elected Clerk direct the Township. The Township provides road and bridge maintenance (public works) and fire protection and emergency medical services (public safety). The Township contracts with Franklin Township Volunteer Fire Department to provide fire services and medical emergency services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The Township Clerk invests all available funds of the Township in a non-interest bearing checking account.

**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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

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

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Fire District Fund - This fund receives property tax money for providing emergency services for Township residents.

**3. Debt Service Funds**

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund.

*General Note Retirement Fund* - This fund receives property tax money to satisfy the issued note obligations of the Township to purchase equipment.

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

**2. Estimated Resources**

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

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

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

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

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

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

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH**

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

	2007	2006
Demand Deposits	\$ 36,520	\$ 54,488

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,506	\$ 38,019	\$ 2,513
Special Revenue	195,183	196,619	1,436
Total	\$ 230,689	\$ 234,638	\$ 3,949

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 42,883	\$ 38,143	\$ 4,740
Special Revenue	241,525	214,219	27,306
Debt Service	768	768	-
Total	<u>\$ 285,176</u>	<u>\$ 253,130</u>	<u>\$ 32,046</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 36,234	\$ 38,470	\$ 2,236
Special Revenue	166,588	197,637	31,049
Total	<u>\$ 202,822</u>	<u>\$ 236,107</u>	<u>\$ 33,285</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 43,514	\$ 38,606	\$ 4,908
Special Revenue	200,967	186,383	14,584
Debt Service	768	-	768
Total	<u>\$ 245,249</u>	<u>\$ 224,989</u>	<u>\$ 20,260</u>

Contrary to ORC 5705.41(D), the Township did not properly certify the availability of funds prior to purchase commitment for 44.8% and 41.9% of the tested expenditures in 2007 and 2006, respectively.

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

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

**4. PROPERTY TAX**

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

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

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

**5. RETIREMENT SYSTEMS**

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This 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 2007, members of PERS contributed 9.5% of their gross salaries. For 2006, members of PERS contributed 9.0% of their gross salaries. The Township contributed an amount equal to 13.85% (2007) and 13.7% (2006) of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Township belongs 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 over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

**Commercial Insurance**

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses.

Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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: 2006 and 2005 (the latest information available):

	<b><u>2006</u></b>	<b><u>2005</u></b>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**7. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note	\$9,747	5.01 %



**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

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

**7. DEBT (Continued)**

The Township signed a promissory note in 2004 for \$30,000 with Huntington Bank to finance the purchase of a tractor with a boom mower and the construction of a new storage area for Township road maintenance. The Township makes monthly loan payments of \$567.78. The Township funds the debt with tax revenues. The prior audit reflected an inaccurate balance due at December 31, 2005. The principal outstanding at December 31, 2005 was \$21,707. Amortization of the above debt, including interest, is scheduled as follows:

	<u>Promissory Note</u>
Year Ending December 31:	
2008	\$ 6,813
2009	<u>3,975</u>
Total	\$ 10,788

**8. LEASE**

Leases outstanding at December 31, 2007 were as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ford F550 Truck Lease	\$49,703	6.85 %

The lease was obtained in 2007 in the amount of \$49,703, for a 2008 Ford F550 Truck to be used for the Township's roads. The Township makes monthly lease payments of \$975.12. The truck serves as collateral for the lease.

Payments of the above lease agreement, including interest, are scheduled as follows:

	<u>Lease</u>
Year Ending December 31:	
2008	\$ 11,702
2009	11,701
2010	11,702
2011	11,701
2012	<u>6,826</u>
Total	\$ 53,632

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

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

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

May 16, 2008

Franklin Township  
Columbiana County  
13705 SR 644  
Hanoverton, OH 44423

To the Board of Trustees:

We have audited the financial statements of **Franklin Township, Columbiana County, Ohio** (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 16, 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 opinions 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 the 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 considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be 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.

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-003.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiencies described above are not material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated May 16, 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 one instance of noncompliance or other matters that we must report under *Government Auditing Standards* that is described in the accompanying schedule of findings as item 2007-001.

In a separate letter to the Township's management dated May 16, 2008, we reported other matters related to noncompliance we deemed immaterial.

This report is intended solely for the information and use of Township management and Board of Trustees and is not intended to be, and should not be used by anyone other than these specified parties.

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

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

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

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation/Significant Deficiency**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

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

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

**FINDING NUMBER 2007-001 (CONTINUED)**

**Ohio Revised Code § 5705.41(D) (Continued)**

The Township did not properly certify the availability of funds prior to purchase commitment for 44.8% and 41.9% of the expenditures tested during 2007 and 2006, respectively. In addition there was no evidence that the Township followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2007-002**

**Significant Deficiency**

**Proper Posting of Receipts**

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

During both 2007 and 2006, MVL Permissive receipts were posted as Miscellaneous, instead of Intergovernmental receipts. It was also determined that the Township misclassified receipts from rollbacks as Miscellaneous, instead of Intergovernmental in 2007. These inaccurate postings resulted in several reclassification entries being made to the financial statements.

By misposting and not properly allocating the receipts, the Township could present inaccurate financial statements, causing a false image of the Township's financial position.

We recommend the Clerk refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper posting of receipts.

**Management's Response** – We did not receive a response from officials to this finding.

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

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

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b></p>
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**FINDING NUMBER 2007-003**

**Significant Deficiency**

**Posting Estimated Revenues and Appropriations**

The Township did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Board of Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

**Management's Response** – We did not receive a response from officials for this item.



**Mary Taylor, CPA**  
Auditor of State

**FRANKLIN TOWNSHIP**

**COLUMBIANA 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  
JUNE 10, 2008**