



**Certified Public Accountants, A.C.**

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY  
Regular Audit  
For the Years Ended December 31, 2017 and 2016**

313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market St.,  
Suite 300  
Wheeling, WV 26003  
304.232.1358

749 Wheeling Ave.,  
Suite 300  
Cambridge, OH 43725  
740.435.3417

[www.perrycpas.com](http://www.perrycpas.com)





# Dave Yost • Auditor of State

Board of Trustees  
Franklin Township  
PO Box 03  
Summitville OH 43962

We have reviewed the *Independent Auditor's Report* of Franklin Township, Columbiana County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. 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.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 12, 2018

**This page intentionally left blank.**

FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017 .....	3
Notes to the Financial Statements For the Year Ended December 31, 2017 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016 .....	10
Notes to the Financial Statements For the Year Ended December 31, 2016 .....	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Audit Findings .....	19
Schedule of Prior Audit Findings.....	21

**This page intentionally left blank.**

## INDEPENDENT AUDITOR'S REPORT

April 20, 2018

Franklin Township  
Columbiana County  
PO Box 03  
Summitville, Ohio 43962

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Franklin Township**, Columbiana County, (the Township) as of and for the years ended December 31, 2017 and 2016.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**www.perrycpas.com**  
**... "bringing more to the table"**

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Franklin Township, Columbiana County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements, and related notes for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



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



**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 28,801	\$ 263,607	\$ 292,408
Intergovernmental	29,083	119,682	148,765
Miscellaneous	874	40,779	41,653
	<b>58,758</b>	<b>424,068</b>	<b>482,826</b>
 <b>Cash Disbursements</b>			
Current:			
General Government	36,785	12,213	48,998
Public Safety	-	116,500	116,500
Public Works	5,198	276,115	281,313
Human Services	-	633	633
Debt Service:			
Principal Retirement	-	28,511	28,511
Interest and Fiscal Charges	-	3,893	3,893
	<b>41,983</b>	<b>437,865</b>	<b>479,848</b>
 <i>Excess of Receipts Over (Under) Disbursements</i>	<b>16,775</b>	<b>(13,797)</b>	<b>2,978</b>
 <i>Fund Cash Balances, January 1</i>	<b>11,728</b>	<b>165,541</b>	<b>177,269</b>
 <b>Fund Cash Balances, December 31</b>			
Restricted	-	151,744	151,744
Assigned	28,503	-	28,503
	<b>28,503</b>	<b>151,744</b>	<b>180,247</b>
 <i>Fund Cash Balances, December 31</i>	<b>\$ 28,503</b>	<b>\$ 151,744</b>	<b>\$ 180,247</b>

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

**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Franklin Township, Columbiana County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township appropriates fire fund money to support the volunteer fire department.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in the Ohio Plan Risk Management Inc. (OPRM) public entity risk pool. 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Fire Fund*** The fire fund accounts for and reports proceeds from property taxes restricted for fire department and life squad protection and emergency services.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments.

**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 approve estimated resources.

**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. Management has included audit adjustments in the accompanying budgetary presentations.

A summary of 2017 budgetary activity appears in Note 4.

***Deposits and Investments***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
(Continued)

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fund Balance (Continued)***

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire District Fund by \$2,345 for the year ended December 31, 2017.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,967	\$ 58,758	\$ 10,791
Special Revenue	347,635	424,068	76,433
Total	\$ 395,602	\$ 482,826	\$ 87,224

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,695	\$ 42,400	\$ 17,295
Special Revenue	513,176	439,780	73,396
Total	\$ 572,871	\$ 482,180	\$ 90,691

**Note 5 – Deposits and Investments**

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

	2017
Demand deposits	\$ 180,247
Total deposits	\$ 180,247

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation.

**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
(Continued)

**Note 6 – Property Taxes**

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.

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

**Note 7 - Risk Management**

***Risk Pool Membership***

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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 equity at December 31, 2016 (latest information available):

	2016
Cash and investments	\$ 14,765,712
Actuarial liabilities	(9,531,506)
Members' Equity	\$ 5,234,206

**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
(Continued)

**Note 7 - Risk Management (Continued)**

***Risk Pool Membership (Continued)***

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

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 10 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Santander (Truck)	\$ 59,168	2.70%
Agri-credit (Mower/Tractor)	42,547	4.39%
Troy and Jessica Thorne (House)	10,000	0.00%
Total	\$ 111,715	

***Leases***

The Township leases buildings, vehicles and other equipment under noncancelable leases. The Township disbursed \$32,404 to pay lease costs for the year ended December 31, 2017.

In 2014, the Township entered into a lease with an option to purchase with Santander Leasing LLC for the use of an International Terra Star truck. The lease is for 7 years with 84 monthly payments of \$1,414, totaling \$118,776. At the end of the 7 year period, the Township has the option to purchase the truck for no additional cost. The truck leased is used for road repairs and maintenance. Payments are made from the General Fund, Gas Tax Fund, and Road and Bridge Fund.

**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 10 – Debt (Continued)**

***Leases (Continued)***

In 2015, the Township approved to enter into a lease with an option to purchase with Agri-credit Acceptance LLC for a utility tractor. The lease is for 6 years, with 83 monthly payments of \$869, totaling \$72,127. At the end of the 6 year period, the Township has the option to purchase the tractor for no additional cost. The tractor leased is used for road repairs and maintenance. Payments are made from the Gas Tax Fund and Motor Vehicle Fund.

In 2015, the Township approved to enter into a lease with an option to purchase with Troy and Jessica Thorne for the use of real estate. The lease is for 5 years, with 5 yearly payments of \$5,000, totaling \$25,000. The Township is responsible for all real estate taxes, assessments and liability insurance on the property. The real estate leased is used for Township government business and storage of stone and ash. Payments are made from the Road Levy.

***Amortization***

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

Year Ending December 31:	Truck Lease	Tractor Lease	Real Estate Lease
2018	\$ 16,968	\$ 10,436	\$ 5,000
2019	16,968	10,436	5,000
2020	16,968	10,436	-
2021	11,312	10,436	-
2022	-	5,218	-
Total	<u>\$ 62,216</u>	<u>\$ 46,962</u>	<u>\$ 10,000</u>

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 18,013	\$ 157,485	\$ 175,498
Intergovernmental	30,892	131,470	162,362
Miscellaneous	310	19,235	19,545
<i>Total Cash Receipts</i>	49,215	308,190	357,405
<b>Cash Disbursements</b>			
Current:			
General Government	36,188	14,057	50,245
Public Safety	-	78,867	78,867
Public Works	2,045	156,279	158,324
Human Services	-	713	713
Capital Outlay	-	625	625
Debt Service:			
Principal Retirement	-	26,527	26,527
Interest and Fiscal Charges	-	4,463	4,463
<i>Total Cash Disbursements</i>	38,233	281,531	319,764
<i>Excess of Receipts Over Disbursements</i>	10,982	26,659	37,641
<b>Other Financing Receipts</b>			
Sale of Capital Assets	22,511	-	22,511
<i>Total Other Financing Receipts &amp; Disbursements</i>	22,511	-	22,511
<i>Net Change in Fund Cash Balances</i>	33,493	26,659	60,152
<i>Fund Cash Balances, January 1 (Restated - See Note 11)</i>	(21,765)	138,882	117,117
<b>Fund Cash Balances, December 31</b>			
Restricted	-	165,541	165,541
Assigned	11,728	-	11,728
<i>Fund Cash Balances, December 31</i>	\$ 11,728	\$ 165,541	\$ 177,269

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



**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Franklin Township, Columbiana County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township appropriates fire fund money to support the volunteer fire department.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in the Ohio Plan Risk Management Inc. (OPRM) public entity risk pool. 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Fire Fund*** The fire fund accounts for and reports proceeds from property taxes restricted for fire department and life squad protection and emergency services.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments.

**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 approve estimated resources.

**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. Management has included audit adjustments in the accompanying budgetary presentations.

A summary of 2016 budgetary activity appears in Note 4.

***Deposits and Investments***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fund Balance (Continued)***

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$3,464 for the year ended December 31, 2016.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 56,792	\$ 71,726	\$ 14,934
Special Revenue	311,859	308,190	(3,669)
Total	\$ 368,651	\$ 379,916	\$ 11,265

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 35,027	\$ 38,491	\$ (3,464)
Special Revenue	449,678	282,809	166,869
Total	\$ 484,705	\$ 321,300	\$ 163,405

**Note 5 – Deposits and Investments**

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

	2016
Demand deposits	\$ 177,269
Total deposits	\$ 177,269

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation.

**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
(Continued)

**Note 6 – Property Taxes**

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.

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

**Note 7 - Risk Management**

***Risk Pool Membership***

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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 equity at December 31, 2016:

	2016
Cash and investments	\$ 14,765,712
Actuarial liabilities	(9,531,506)
Members' Equity	\$ 5,234,206

**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 7 - Risk Management (Continued)**

***Risk Pool Membership (Continued)***

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

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Santander (Truck)	\$ 75,538	2.70%
Agri-credit (Mower/Tractor)	50,913	4.39%
Troy and Jessica Thorne (House)	15,000	0.00%
Total	\$ 141,451	

***Leases***

The Township leases buildings, vehicles and other equipment under noncancelable leases. The Township disbursed \$32,404 to pay lease costs for the year ended December 31, 2016.

In 2014, the Township entered into a lease with an option to purchase with Santander Leasing LLC for the use of an International Terra Star truck. The lease is for 7 years with 84 monthly payments of \$1,414, totaling \$118,776. At the end of the 7 year period, the Township has the option to purchase the truck for no additional cost. The truck leased is used for road repairs and maintenance. Payments are made from the General Fund, Gas Tax Fund, and Road and Bridge Fund.

**FRANKLIN TOWNSHIP**  
**COLUMBIANA COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 10 – Debt (Continued)**

**Leases (Continued)**

In 2015, the Township approved to enter into a lease with an option to purchase with Agri-credit Acceptance LLC for the use of a utility tractor. The lease is for 6 years, with 83 monthly payments of \$869, totaling \$72,127. At the end of the 6 year period, the Township has the option to purchase the tractor for no additional cost. The tractor leased is used for road repairs and maintenance. Payments are made from the Gas Tax Fund and Motor Vehicle Fund.

In 2015, the Township approved to enter into a lease with an option to purchase with Troy and Jessica Thorne for the use of real estate. The lease is for 5 years, with 5 yearly payments of \$5,000, totaling \$25,000. The Township is responsible for all real estate taxes, assessments and liability insurance on the property. The real estate leased is used for Township government business and storage of stone and ash. Payments are made from the Road Levy.

**Amortization**

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

Year Ending December 31:	Truck Lease	Tractor Lease	Real Estate Lease
2017	\$ 16,968	\$ 10,436	\$ 5,000
2018	16,968	10,436	5,000
2019	16,968	10,436	5,000
2020	16,968	10,436	-
2021	11,312	10,436	-
2022	-	5,218	-
Total	<u>\$ 79,184</u>	<u>\$ 57,398</u>	<u>\$ 15,000</u>

**Note 11 – Prior Period Restatement**

The beginning balance for the Township's Special Revenue Fund has been restated to correct an error in a prior year audit adjustment and account for a prior period cleared check that was voided in 2016. This prior period restatement had the following effect on the Township's fund balance as previously reported as of December 31, 2015.

Fund Balance, December 31, 2015	<u>\$138,882</u>
Restatement Due to Accounting Corrections	<u>(1,063)</u>
Restated Fund Balance, December 31, 2015	<u><u>\$137,819</u></u>

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

April 20, 2018

Franklin Township  
Columbiana County  
PO Box 03  
Summitville, Ohio 43962

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of **Franklin Township**, Columbiana County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 20, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

[www.perrycpas.com](http://www.perrycpas.com)  
... "bringing more to the table"

### **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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2017-002.

We also noted a certain matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 20, 2018.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



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



FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

**Material Weakness**

**Posting Receipts, Disbursements and Fund Balances**

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate.

During 2017 and 2016, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- Property tax receipts were posted at net instead of gross in 2017 and 2016;
- Sale of a truck was improperly recorded as Miscellaneous revenue instead of Sale of Capital Assets in 2016;
- Debt payments were posted 100% to Principal Retirement instead of being properly allocated between Principal Retirement and Interest and Other Fiscal Charges according to the amortization schedules in 2016;
- Outstanding encumbrances and budget carryover at year end in the General Fund were improperly classified as Unassigned instead of Assigned in 2017 and 2016.

Not posting or classifying receipts, disbursements, and fund balances accurately resulted in the financial statements requiring several reclassifications and adjusting entries. The financial statements reflect all reclassifications and adjustments. The Township has made these adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, the Fiscal Officer should refer to the Ohio Township Handbook or other Auditor of State resources for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

We also recommend the Fiscal Officer refer to Auditor of State Technical Bulletin 2011-004 to become familiar with the requirements of GASB 54 and properly present fund balances on the year-end financial statements.

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

FINDING NUMBER 2017-002

**Material Weakness/Noncompliance**

**Budgetary Controls**

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-002 (CONTINUED)

**Material Weakness/Noncompliance (Continued)**

**Budgetary Controls (Continued)**

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Township making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.41(D) which requires expenditures to have prior certification of availability of funds in 2017 and 2016;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations) in 2017 and 2016. This violation occurred because the Township does not budget tax receipts at gross nor budget for the related County Auditor expenses.

Although the Board of Trustees approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed.

The Board should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections. If the Board does not consider this necessary, steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

We also recommend the Fiscal Officer modify appropriations with the Board of Trustees and the County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

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

**FRANKLIN TOWNSHIP  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2015-001	Material Weakness - Posting Receipts, Disbursements, and Fund Balances	No	Partially Corrected - Repeated as Finding 2017-001
2015-002	Material Weakness/Non-Compliance – Certification of Trustee Compensation	Yes	N/A
2015-003	Material Weakness/Non-Compliance – Budgetary Controls	No	Partially Corrected – Repeated as Finding 2017-002

**This page intentionally left blank.**



# Dave Yost • 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  
JULY 26, 2018