



Mary Taylor, CPA  
Auditor of State



FRANKLIN TOWNSHIP  
HARRISON COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Franklin Township  
Harrison County  
86532 North Bay Rd  
Scio, Ohio 43988

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 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. 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.

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

**Mary Taylor, CPA**  
Auditor of State

October 16, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Franklin Township  
Harrison County  
86532 North Bay Rd  
Scio, Ohio 43988

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Harrison County, (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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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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 of Franklin Township, Harrison 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 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 October 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.



**Mary Taylor, CPA**  
Auditor of State

October 16, 2008



**FRANKLIN TOWNSHIP  
HARRISON 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>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$41,190	\$77,029	\$118,219
Intergovernmental	14,035	107,342	121,377
Special Assessments		329	329
Earnings on Investments	2,766	124	2,890
Miscellaneous		1,013	1,013
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	57,991	185,837	243,828
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	64,988	347	65,335
Public Safety		39,085	39,085
Public Works		92,520	92,520
Health	1,363	8,770	10,133
Capital Outlay		2,545	2,545
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	66,351	143,267	209,618
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(8,360)	42,570	34,210
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts / (Disbursements):</b>			
Other Financing Sources	2,587	1,040	3,627
Other Financing Uses		(1,040)	(1,040)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	2,587		2,587
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(5,773)	42,570	36,797
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	12,462	438,561	451,023
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$6,689</u></b>	<b><u>\$481,131</u></b>	<b><u>\$487,820</u></b>

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

FRANKLIN TOWNSHIP  
HARRISON 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$18,729	\$71,799	\$90,528
Intergovernmental	13,006	106,127	119,133
Earnings on Investments	2,439	134	2,573
Miscellaneous	45	6,276	6,321
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	34,219	184,336	218,555
<b>Cash Disbursements:</b>			
Current:			
General Government	58,556	304	58,860
Public Safety		32,102	32,102
Public Works		67,647	67,647
Health	920	10,440	11,360
Other	486		486
Capital Outlay		756	756
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	59,962	111,249	171,211
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	(25,743)	73,087	47,344
<b>Other Financing Receipts / (Disbursements):</b>			
Refund of Prior Year Receipts	(4,538)		(4,538)
Other Financing Sources	570		570
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(3,968)		(3,968)
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(29,711)	73,087	43,376
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	42,173	365,474	407,647
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>
	<b>\$12,462</b>	<b>\$438,561</b>	<b>\$451,023</b>

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

**FRANKLIN TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 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 Franklin Township, Harrison 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, cemetery maintenance, and general government services. The Township contracts with the Tappan Lake Volunteer Fire Department and the Deersville Community Volunteer Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 6 to the financial statements provide additional information for this entity. This organization is:

The Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

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

**B. Accounting Basis**

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

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

**C. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**FRANKLIN TOWNSHIP  
HARRISON COUNTY**

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

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

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

Fire District Fund - This fund receives property tax money for contracts for fire services.

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

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

**E. 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.

**2. EQUITY IN POOLED CASH**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$487,820</u>	<u>\$451,023</u>

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

**FRANKLIN TOWNSHIP  
HARRISON COUNTY**

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

**3. BUDGETARY ACTIVITY**

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,063	\$60,578	\$29,515
Special Revenue	130,673	186,877	56,204
Total	\$161,736	\$247,455	\$85,719

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$66,351	(\$66,351)
Special Revenue		144,307	(144,307)
Total		\$210,658	(\$210,658)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,700	\$34,789	\$7,089
Special Revenue	114,600	184,336	69,736
Total	\$142,300	\$219,125	\$76,825

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$64,500	(\$64,500)
Special Revenue		111,249	(111,249)
Total		\$175,749	(\$175,749)

Contrary to Ohio Revised Code Section 5705.38, the Township did not adopt appropriations for 2006 or 2007. As a result, expenditures in all funds were not in compliance with Ohio Revised Code Section 5705.41(B) in 2006 (\$175,749) and in 2007 (\$210,658).

**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.

**FRANKLIN TOWNSHIP  
HARRISON COUNTY**

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

**4. PROPERTY TAX - (Continued)**

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 SYSTEM**

Township 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. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**6. 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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment 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.

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 the 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 PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

**FRANKLIN TOWNSHIP  
HARRISON COUNTY**

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

**6. RISK MANAGEMENT - (Continued)**

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 provides 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>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

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 \$5,869. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**FRANKLIN TOWNSHIP  
HARRISON COUNTY**

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

**6. RISK MANAGEMENT - (Continued)**

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.

<b><u>Contributions to OTARMA</u></b>	
2005	\$6,198
2006	\$6,221
2007	\$5,000

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.

**7. LEGAL COMPLIANCE**

**Ohio Revised Code 505.601** – The Township reimbursed co –pays in addition to out-of-pocket premiums.

**Ohio Revised Code 505.24(C)** - Trustees salaries were paid from the Gas tax fund and there was no documentation supporting time spent.





# Mary Taylor, CPA

Auditor of State

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

Franklin Township  
Harrison County  
86532 North Bay Rd  
Scio, Ohio 43988

To the Board of Trustees:

We have audited the financial statements of Franklin Township, Harrison County (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 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 also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-003 through 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. We believe finding numbers 2007-003 through 2007-005 are also material weaknesses.

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

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 October 16, 2008.

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

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



**Mary Taylor, CPA**  
Auditor of State

October 16, 2008

**FRANKLIN TOWNSHIP  
HARRISON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-001**

**Finding for Recovery**

**Ohio Revised Code Section 505.601** states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505-60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of the section 505.60 of the Revised Code.

The Township mistakenly believed that it could reimburse its officers/employees for medical and dental co-pays in addition to the out-of-pocket premium associated with the coverage. As stated above, a township may only reimburse an officer/employee for the out-of-pocket premium attributable to that officer/employee. All such warrants for reimbursement for out-of-pocket co-pays were signed by the Trustees and the Fiscal Officer. There is no authority that allows for reimbursement of co-pays.

The Township reimbursed the Fiscal Officer and the Trustees for out-of pocket co-pays in the amounts scheduled below:

<b>Name</b>	<b>Position</b>	<b>2006</b>	<b>2007</b>	<b>Total</b>
Leah Maggie Clark	Fiscal Officer	\$729.98	\$518.00	\$1,247.98
Richard Huff	Trustee	\$426.99	\$1,567.54	\$1,994.53
Robert Haney	Trustee	\$869.23	\$300.50	\$1,169.73
Wayne McMillen	Trustee	\$280.00		\$280.00
Total Overpayment				\$4,692.24

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegal expended is hereby issued against Leah Maggie Clark, Fiscal Officer, Trustee Richard Huff, Trustee Robert Haney and Trustee Wayne McMillen and their bonding company, Western Surety Company, in the corresponding amounts listed above. Each is primarily liable for the amount received for the out-of pocket co-pays.

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

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

Therefore, because all Township Officials approved and signed the warrants resulting in improper payments the following are jointly and severally liable for the entire amount of \$4,692.24: Richard Huff, Trustee, Robert Haney, Trustee, Wayne McMillen, Trustee and their bonding company, Western Surety Company. Additionally, Leah Maggie Clark, Fiscal Officer, and her surety company, Western Surety Company are also jointly and severally liable for the entire amount of \$4,692.24. This recovery is in favor of Franklin Township's General Fund.

**Officials' Response**

The finding for recovery against Wayne McMillen has been fully repaid under audit. The findings for recovery against Richard Huff and Robert Haney have been partially repaid. The remaining amounts will be repaid according to agreed upon schedules for repayment. A schedule for repayment has not yet been established with Leah Maggie Clark, former fiscal officer.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.38** requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed. **Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township did not adopt an appropriation measure for either 2006 or 2007 and expenditures are limited by the appropriations established for each fund; therefore, all expenditures made by the Township in 2007 (\$175,748) and in 2006 (\$210,659) were not in compliance with the Ohio Revised Code.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored, could result in overspending. The Township should pass an appropriation measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to established appropriations for each fund.

**FINDING NUMBER 2007-003**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**Ohio Revised Code Section 505.24(C)** sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township fund, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheet or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. The requirements of Ohio Revised Code Section 505.24(C) were noted in the management letter issued to Franklin Township for the audit of the years ending December 31, 2004 and 2005.

The Trustees' salaries, taxes and OPERS were paid from the Gasoline Tax Fund in 2006 and in 2007. However, the Trustees did not maintain records on how their time was spent. The following adjustments have been proposed and the amounts have been agreed to by the Township and have been posted to the ledgers and are reflected in the accompanying financial statements.

2006

<b>Fund</b>	<b>Function</b>	<b>Debit</b>	<b>Credit</b>
General Fund	Public Works	\$25,836	
Gasoline Tax Fund	Public Works		\$25,836

2007

<b>Fund</b>	<b>Function</b>	<b>Debit</b>	<b>Credit</b>
General Fund	Public Works	\$8,758	
Gasoline Tax Fund	Public Works		\$8,758

Per the above, trustees must keep records of the time spent on various tasks and the fund to which the township will charge their costs. (The sole exception to this is for trustees charging all salaries to the general fund, as described above.) There is no one method for documenting time and the kinds of services rendered. The trustees may use a diary, time sheets or any other method that will provide the information described above.

**FINDING NUMBER 2007-004**

**Significant Deficiency/Material Weakness**

**Proper Classification of Receipts and Disbursements**

The Township did not correctly code and classify the following receipts and disbursements in 2006 and 2007 which resulted in adjustments to the financial statements. The Township Fiscal Officer has agreed to the reclassifications and the adjustments and these corrected amounts are reflected in the accompanying financial statements. The adjustments have also been posted to the Township ledgers.

**2007**

<b>Fund Name</b>	<b>Account Type</b>	<b>Amount</b>	<b>Description</b>
<b>Reclassifications</b>			
General	Intergovernmental	\$2,106	Recorded as Local Taxes
<b>Adjustments</b>			
Road and Bridge General	Intergovernmental Local Taxes	\$2,305	Recorded as Local Taxes in the General Fund
Fire District General	Intergovernmental Local Taxes	\$3,303	Recorded as Local Taxes in the General Fund
Tappan Fire District General	Intergovernmental Local Taxes	\$897	Recorded as Local Taxes in the General Fund
Cemetery General	Intergovernmental Local Taxes	\$1,405	Recorded as Local Taxes in the General Fund
Tappan Fire District Fire District	Local Taxes Revenue	\$8,781	Recorded as Local Taxes in the Fire District Fund
Tappan Fire District Fire District	Public Safety	\$8,433	Recorded as Public Safety in the Fire District Fund
Tappan Fire District Fire District	General Government Public Safety	\$347	Recorded as Public Safety in the Fire District Fund
General Gasoline Tax	General Government Public Works	\$8,758	Recorded as Public Works in the Gasoline Tax Fund

**FINDING NUMBER 2007-004  
(Continued)**

**2006**

<b>Fund Name</b>	<b>Account Type</b>	<b>Amount</b>	<b>Description</b>
<b>Reclassifications</b>			
General	Intergovernmental	\$509	Recorded as Local Taxes
<b>Adjustments –</b>			
Road and Bridge General	Intergovernmental Local Taxes	\$635	Recorded as Local Taxes in the General Fund
Fire District General Fund	Intergovernmental Local Taxes	\$848	Recorded as Local Taxes Revenue in the General Fund
Cemetery General	Intergovernmental Local Taxes	\$423	Recorded as Local Taxes Revenue in the General Fund
General Gasoline Tax Fund	General Government Public Works	\$25,836	Recorded as Public Works Expenditures in the Gasoline Tax Fund
Road and Bridge General	Intergovernmental	\$2,280	Recorded as Intergovernmental in the General Fund
Fire District General	Intergovernmental	\$2,465	Recorded as Intergovernmental in the General Fund
Tappan Fire District General	Intergovernmental Revenue	\$907	Recorded as Intergovernmental in the General Fund
Cemetery General	Intergovernmental Revenue	\$1,370	Recorded as Intergovernmental in the General Fund
Tappan Fire District Fire District	Local Taxes Revenue	\$8,548	Recorded as Local Tax in the Fire District Fund
Tappan Fire District Fire District	Public Safety Expenditures	\$8,406	Recorded as Public Safety Expenditures in the Fire District Fund
Tappan Fire District Fire District	General Government Expenditures	\$305	Recorded as Public Safety Expenditures in the Fire District Fund

Failure to consistently follow a uniform chart of accounts increases the possibility that the Township will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Township Fiscal Officer should maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Township is accurately recorded and reported. In addition, the Township should adopt procedures for the review of posting of transactions and subsequent posting to the financial statements.

**FINDING NUMBER 2007-005**

**Significant Deficiency/Material Weakness**

**Cash Reconciliations**

Ohio Administrative Code Section 117-2-02 requires the government to maintain accounting records sufficient to assure accountability of entity assets. It also states that the government must have internal controls sufficient to assure that recorded transactions have occurred and are not fictitious. The Township fund balance did not balance to the depository balance in 2006 or 2007 as a result of errors in the posting of receipts and disbursements throughout the years. The Township Fiscal Officer has agreed to the adjustments and these corrected amounts are reflected in the accompanying financial statements. The adjustments have also been posted to the Township ledgers.

**2007**

General	General Government	\$746	Expenditures not recorded on the Township ledgers
Road and Bridge	Public Works	\$171	Expenditures not recorded on the Township ledgers

**2006**

General	Intergovernmental	\$971	Deposit not recorded on the Township ledgers
Gasoline Tax	Intergovernmental	\$12,869	Deposit not recorded on the Township ledgers
Motor Vehicle License Tax	Intergovernmental	\$609	Deposit not recorded on the Township ledgers
General	Earnings on Investments	\$444	Interest not recorded on the Township ledgers
General	Refund of Prior Year Receipt	\$4,538	Returned deposit not recorded on the Township ledgers
General	Other Expenditures	\$486	Expenditures not recorded on the Township ledgers
Cemetery	Health Expenditures	\$920	Expenditures not recorded on the Township ledgers

The Township should maintain their accounting records in such a manner that includes accurate accounting of transactions, accurate monthly reconciliations, and review of the reconciliation. All accounts should be included on the ledgers and reconciliations.

**Officials' Response:**

We did not receive a response to findings numbers 2007-002 through 2007-005 reported above.



**FRANKLIN TOWNSHIP  
HARRISON 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	Ohio Revised Code Section 5705.39 Appropriations exceeded Available Resources	Yes	Fully Corrected
2005-002	Ohio Revised Code Section 5705.41(D) Expenditures were not properly certified.	Yes	Fully Corrected





Mary Taylor, CPA  
Auditor of State

**FRANKLIN TOWNSHIP**

**HARRISON 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  
MARCH 10, 2009**