

FRANKLIN TOWNSHIP

RICHLAND COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2014 and 2013





Dave Yost • Auditor of State

Board of Trustees
Franklin Township
2451 Kline Road
Mansfield, Ohio 44903

We have reviewed the *Independent Auditor's Report* of Franklin Township, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. 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

October 16, 2015

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FRANKLIN TOWNSHIP
RICHLAND COUNTY

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INDEPENDENT AUDITOR'S REPORT

Franklin Township
Richland County
2451 Kline Road
Mansfield, Ohio 44903

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Franklin Township, Richland County, (the Township) as of and for the years ended December 31, 2014 and 2013.

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.

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

As described in Note 1 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, to satisfy 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, 2014 and 2013, 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, Richland County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements 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 1.

Emphasis of Matter

As discussed in Note 12, the Township is experiencing financial difficulties. As of December 31, 2014, the Township's audited General Fund balance is negative (\$220,385). Management's plans in regards to these financial difficulties are described in Note 12 to the financial statements. These financial statements do not include any adjustments that might result from the from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2015, 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.



Charles E. Harris & Associates, Inc.
July 24, 2015

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 24,849	\$ 104,754	\$ -	\$ 129,603
Charges for Services	-	130,533	-	130,533
Intergovernmental	18,181	181,187	-	199,368
Miscellaneous	8,905	14,797	-	23,702
<i>Total Cash Receipts</i>	<u>51,935</u>	<u>431,271</u>	<u>-</u>	<u>483,206</u>
Cash Disbursements				
Current:				
General Government	73,936	-	-	73,936
Public Safety	-	164,765	-	164,765
Public Works	-	155,929	-	155,929
Debt Service:				
Principal Retirement	-	25,107	-	25,107
Interest and Fiscal Charges	-	1,626	-	1,626
<i>Total Cash Disbursements</i>	<u>73,936</u>	<u>347,427</u>	<u>-</u>	<u>421,363</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(22,001)	83,844	-	61,843
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	-	-	47,358	47,358
Transfers In	43,058	150,000	-	193,058
Transfers Out	-	(150,000)	(43,058)	(193,058)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>43,058</u>	<u>-</u>	<u>4,300</u>	<u>47,358</u>
<i>Net Change in Fund Cash Balances</i>	21,057	83,844	4,300	109,201
<i>Fund Cash Balances, January 1</i>	<u>(241,399)</u>	<u>285,098</u>	<u>-</u>	<u>43,699</u>
Fund Cash Balances, December 31				
Nonspendable	43	-	-	43
Restricted	-	378,427	-	378,427
Assigned	-	-	4,300	4,300
Unassigned (Deficit)	<u>(220,385)</u>	<u>(9,485)</u>	<u>-</u>	<u>(229,870)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (220,342)</u>	<u>\$ 368,942</u>	<u>\$ 4,300</u>	<u>\$ 152,900</u>

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

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 25,200	\$ 105,603	\$ 130,803
Charges for Services	-	135,019	135,019
Intergovernmental	26,506	176,425	202,931
Earnings on Investments	18	8	26
Miscellaneous	47,294	30,268	77,562
<i>Total Cash Receipts</i>	99,018	447,323	546,341
Cash Disbursements			
Current:			
General Government	171,507	-	171,507
Public Safety	-	161,032	161,032
Public Works	-	124,249	124,249
Debt Service:			
Principal Retirement	-	67,672	67,672
Interest and Fiscal Charges	-	3,836	3,836
<i>Total Cash Disbursements</i>	171,507	356,789	528,296
<i>Net Change in Fund Cash Balances</i>	(72,489)	90,534	18,045
<i>Fund Cash Balances, January 1</i>	(168,910)	194,564	25,654
Fund Cash Balances, December 31			
Nonspendable	43	-	43
Restricted	-	375,289	375,289
Unassigned (Deficit)	(241,442)	(90,191)	(331,633)
<i>Fund Cash Balances, December 31</i>	\$ (241,399)	\$ 285,098	\$ 43,699

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

**FRANKLIN TOWNSHIP
RICHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Franklin Township, Richland County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services.

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

B. Accounting Basis

These financial statements follow the accounting basis 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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Sections 117-2-03(D) permit.

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds from specific 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:

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

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

**FRANKLIN TOWNSHIP
RICHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

Fire Levy Fund – This fund receives property tax money to provide fire protection services to Township residents.

Ambulance and EMS Service Fund – This fund receives charges for services revenue with rates established by the Trustees to provide emergency medical services to Township residents and the surrounding area.

3. Capital Project Fund

This fund (Capital Projects) accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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 cancelled, and reappropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. 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:

**FRANKLIN TOWNSHIP
RICHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance (continued)

1. Nonspendable

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

2. 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.

3. Committed

The Board of Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Board amends 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.

4. 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 the Board of Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. 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.

G. 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.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. Equity in Pooled Deposits

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:

	2014	2013
Demand deposits	\$ 152,900	\$ 43,699

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 186,274	\$ 94,993	\$ (91,281)
Special Revenue	566,846	581,271	14,425
Capital Projects	-	47,358	47,358

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 92,773	\$ 73,936	\$ 18,837
Special Revenue	595,623	497,427	98,196
Capital Projects	43,058	43,058	-

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 49,000	\$ 99,018	\$ 50,018
Special Revenue	328,000	447,323	119,323

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 49,000	\$ 171,507	\$ (122,507)
Special Revenue	350,000	356,789	(6,789)

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of 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
RICHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Property Tax (continued)

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

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

5. Retirement System

The Township's 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 2014 and 2013, OPERS members contributed 10% of their earnable salaries and the Township contributed an amount equaling 14% of participants' earnable salaries. The Township has paid all contributions required through December 31, 2014.

6. Leases

Leases were incorrectly classified as debt in the prior audit report. The Township leases vehicles and other equipment under noncancelable leases. The Township disbursed \$26,733 and \$71,508 to pay lease costs for the years ended December 31, 2014 and 2013, respectively. The remaining payments on the leases as of December 31, 2014, total \$25,183, including interest, and are due in 2015. Lease payments are made from the Ambulance and EMS Service Special Revenue fund and the Gasoline Tax Special Revenue fund. The future lease payments were overstated by \$3,840 in the prior audit report.

7. Risk Management

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, except OPRM retains 41.5% (effective November 1, 2011) 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, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management (continued)

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, 2013 and 2014.

	2013	2014
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	\$5,805,909	\$5,887,681

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

8. Contingent Liabilities

Management believes there are no pending claims or lawsuits.

9. Transfers

During 2014, the Ambulance and EMS Service fund transferred \$150,000 to the Fire Levy fund to support the operations of that fund authorized by court order. Also during 2014, the capital projects fund transferred \$43,058 to the general fund. This transfer was due to the sale of a Township asset. The proceeds of the sale were placed in the capital projects fund as required by Revised Code and the Township received legal approval to transfer the monies to the general fund.

10. Compliance

Contrary to Ohio Revised Code Section 5705.41(D)(1), the Township did not properly certify the availability of funds prior to obligation.

Contrary to Ohio Revised Code Section 5705.41(B), the Township had expenditures in excess of appropriations in 2014 and 2013.

Contrary to Ohio Revised Code Section 5705.39, the Township had appropriations in excess of estimated resources in 2014 and 2013.

Contrary to Ohio Revised Code Section 5705.36(A)(4), the Township had incorrect beginning balances in the Certificate of Estimated Resources.

Contrary to Ohio Revised Code Section 5705.10(H), the Township had negative cash balances at December 31, 2014 and 2013.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

10. Compliance (continued)

Contrary to Ohio Revised Code Section 149.351(A), the Township did not properly maintain records during 2013.

11. Subsequent Events

On January 18, 2015, the Township received restitution from the former Fiscal Officer totaling \$118,380 as a result of the special audit performed. Also in early 2015, the Township received a total of \$22,519 related to findings for recovery as a result of the 2011-2012 financial audit.

12. Financial Difficulty

As of December 31, 2014, the Township had the following negative fund balances: General fund (\$220,385) and Road and Bridge fund (\$9,485). As of December 31, 2013, the Township had the following negative fund balances: General fund (\$241,399), Road and Bridge Fund (\$32,929) and Fire Levy fund (\$57,262).

Management has reviewed the cause of the negative fund balances and is currently in the process of restricting expenditures to only what is absolutely necessary for the basic operation of the Township until fund balances stabilize. The Township has received restitution as a result of findings for recovery issued during the 2011-2012 financial audit and a special audit. The Township is also attempting to pass an operating levy to support the current expenses of the Township.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Franklin Township
Richland County
2451 Kline Road
Mansfield, Ohio 44903

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 Franklin Township, Richland County (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 24, 2015, 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. We also noted the Township is experiencing financial difficulties.

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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2014-002 through 2014-007.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 24, 2015.

Entity's Response to Findings

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.

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 communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
July 24, 2015

FRANKLIN TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

Finding Number: 2014-001 – Material Weakness

Audit Adjustments and Reclassifications

During audit procedures performed, errors were noted in the Township's financial statements that required audit adjustments and reclassifications as follows:

- During 2013, Homestead and Rollback monies were not properly allocated to the Fire Levy fund and the Road and Bridge fund.
- During 2013, Charges for Services from providing EMS service to surrounding areas were not properly allocated to the Fire Levy fund and the Ambulance and EMS Service fund.
- During 2014 and 2013, grants received from the Ohio Department of Public Safety and the Ohio Public Works Commission were incorrectly posted as Miscellaneous revenue instead of Intergovernmental.

The accompanying financial statements and the Township's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Township adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the UAN Accounting Manual, the Ohio Township Handbook and other Auditor of State guidance to aid in properly identifying account classifications.

Finding Number: 2014-002 – Material Noncompliance

Fiscal Officer's Certification of Expenditures

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

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

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

FRANKLIN TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF FINDINGS - CONTINUED
DECEMBER 31, 2014 AND 2013

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

Finding Number: 2014-002 – Material Noncompliance (continued)

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

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

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

During 2014 and 2013, 9 out of 30 or 30% and 18 out of 26 or 69% of expenditures tested, respectively, were not certified by the Fiscal Officer or certified prior to incurring the obligation, nor was evidence discovered that the Township issued Then and Now Certificates for these exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s expenditures exceeding budgetary spending limitations, we recommend that the Township certify expenditures prior to incurring the liability. This will assist in keeping adequate controls over disbursements and encumbrances.

Finding Number: 2014-003 – Material Noncompliance

Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. In 2013, budgetary expenditures exceeded appropriation authority in the General fund by \$122,507, in the Road and Bridge fund by \$5,380, in the Permissive Sales Tax fund by \$6,089 and in the Ambulance and EMS Services fund by \$48,089.

We recommend that the Township monitor its budget closely to prevent expenditures from exceeding appropriations. The Fiscal Officer should deny payment requests exceeding appropriations but may request that the Trustees approve amended appropriations and by filing amended certificates of estimated resources, if necessary.

FRANKLIN TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF FINDINGS - CONTINUED
DECEMBER 31, 2014 AND 2013

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

Finding Number: 2014-004 – Material Noncompliance

Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources. In 2014, appropriations exceeded certified available resources in the General fund by \$147,898 and in the Road and Bridge fund by \$32,929. In 2013, appropriations exceeded certified available resources in the General fund by \$168,910, in the Motor Vehicle License Tax fund by \$1,869, in the Road and Bridge fund by \$40,817 and in the Fire Levy fund by \$87,895.

Appropriations in excess of estimated resources can result in overspending and negative fund balances. We recommend that the Township establish budgetary policies and procedures which provide for periodic determinations of estimated resources and limit appropriations to those estimates.

Finding Number: 2014-005 – Material Noncompliance

Certification of Available Resources

Ohio Revised Code Section 5705.36(A)(4) requires on or about the first day of each fiscal year, the fiscal officers of each subdivision and other taxing units shall certify to the county fiscal officer the total amount from all sources available for expenditures from each fund in the tax budget along with unencumbered balances that existed at the end of the preceding year.

Although the Certificate of the Total Amount From All Sources Available for Expenditures and Unencumbered Balances was filed with the Richland County Auditor for 2014 and 2013, the beginning fund balances were incorrect.

We recommend the Township file on or about the first day of the year an accurate Certificate of the Total Amount From All Sources Available for Expenditures and Unencumbered Balances existing at the end of the preceding year to provide an accurate starting point for the budgeting process.

Finding Number: 2014-006 – Material Noncompliance

Negative Fund Balances

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

In 2014 and 2013, the General fund had deficit balances of \$220,385 and \$241,399, respectively and the Road and Bridge fund had deficit fund balances of \$9,485 and \$32,929, respectively. In 2013, the Fire Levy fund also had a deficit balance of \$57,262.

We recommend that fund activity be closely monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

FRANKLIN TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF FINDINGS - CONTINUED
DECEMBER 31, 2014 AND 2013

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

Finding Number: 2014-007 – Material Noncompliance

Records Retention and Maintenance

Ohio Revised Code Section 149.351(A) states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Ohio Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

The documents provided to the current fiscal officer from her predecessor were incomplete. We noted missing purchase orders, invoices and OPERS voucher information. We performed alternate auditing procedures (confirmations, analytical procedures, etc.) and utilized the reconstruction workpapers provided by the Auditor of State to obtain sufficient audit evidence to issue an opinion.

We recommend that the Township adopt policies and implement procedures to verify that all documentation is properly maintained. Failure to retain these required public records may result in an incomplete audit trail, create potential problems for future management decisions, and may result in findings for recovery in future audits.

Management's Response:

Management is working to strengthen internal controls over financial reporting and will review the financial statements for errors and omissions in the future.

**FRANKLIN TOWNSHIP
 RICHLAND COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2014 AND 2013**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Fiscal Officer's Certification of Expenditures	No	Repeated as 2014-002
2012-002	Expenditures in Excess of Appropriations	No	Repeated as 2014-003
2012-003	Appropriations in Excess of Estimated Resources	No	Repeated as 2014-004
2012-004	Annual Appropriation Measure	Yes	Finding No Longer Valid
2012-005	Certification of Available Resources	No	Repeated as 2014-005
2012-006	Authorization of Tax Levies to County Auditor	Yes	Finding No Longer Valid
2012-007	Negative Fund Balances	No	Repeated as 2014-006
2012-008	Integration of Budgetary Data at Legal Level of Control	Yes	Finding No Longer Valid
2012-009	Deposit of Receipts	Yes	Finding No Longer Valid
2012-010	Records Retention and Maintenance	No	Partially Corrected, Repeated as 2014-007

**FRANKLIN TOWNSHIP
 RICHLAND COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS – (CONTINUED)
 DECEMBER 31, 2014 AND 2013**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-012	Withholding and Remitting of Payroll Taxes - Federal	Yes	Finding No Longer Valid
2012-013	Withholding and Remitting of Payroll Taxes – State and Local	Yes	Finding No Longer Valid
2012-014	Withholding and Remitting of Retirement Contributions	Yes	Finding No Longer Valid
2012-015	Filing of Annual Financial Report	Yes	Finding No Longer Valid
2012-016	Reporting of Amounts Paid to Independent Contractors	Yes	Finding No Longer Valid
2012-017	Signatures and Counter Signatures	Yes	Finding No Longer Valid
2012-018	Elected Officials' Salaries	Yes	Finding No Longer Valid
2012-019	Accurate and Complete Accounting Records	Yes	Finding No Longer Valid