

***FRANKLIN TOWNSHIP***

***RICHLAND COUNTY, OHIO***

**AUDIT REPORT**

**For the Years Ended December 31, 2016 and 2015**







# 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, 2015 through December 31, 2016. 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 28, 2017

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**FRANKLIN TOWNSHIP**  
**RICHLAND COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2016 and 2015**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2016 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2015 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	12
Schedule of Findings.....	14
Schedule of Prior Audit Findings.....	15
Corrective Action Plan.....	16

**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 of the cash balances, receipts and disbursements by fund type, and related notes of Franklin Township, Richland County, (the Township) as of and for the years ended December 31, 2016 and 2015.

***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 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, 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, 2016 and 2015, 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, 2016 and 2015, 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 2.

***Emphasis of Matter***

As discussed in Note 12, the Township is experiencing financial difficulties. The Township was placed in Fiscal Caution by the Auditor of State on August 8, 2013 based on the results of a special audit. Further, as of December 31, 2016, the Township's audited General Fund balance is negative (\$62,444). 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 outcome of this uncertainty. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2017, 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.**  
May 18, 2017

**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, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 31,018	\$ 170,433	-	\$ 201,451
Charges for Services	-	127,547	-	127,547
Licenses, Permits and Fees	8,627	-	-	8,627
Intergovernmental	24,902	110,166	-	135,068
Miscellaneous	1,867	5,133	-	7,000
<i>Total Cash Receipts</i>	<u>66,414</u>	<u>413,279</u>	<u>-</u>	<u>479,693</u>
<b>Cash Disbursements</b>				
Current:				
General Government	34,159	59,029	-	93,188
Public Safety	-	108,295	-	108,295
Public Works	-	95,128	-	95,128
Health	1,440	-	-	1,440
Capital Outlay	-	-	\$ 3,168	3,168
<i>Total Cash Disbursements</i>	<u>35,599</u>	<u>262,452</u>	<u>3,168</u>	<u>301,219</u>
<i>Net Change in Fund Cash Balances</i>	30,815	150,827	(3,168)	178,474
<i>Fund Cash Balances, January 1</i>	<u>(93,205)</u>	<u>501,976</u>	<u>\$ 4,300</u>	<u>413,071</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	54	-	-	54
Restricted	-	652,803	-	652,803
Assigned	-	-	1,132	1,132
Unassigned (Deficit)	<u>(62,444)</u>	<u>-</u>	<u>-</u>	<u>(62,444)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (62,390)</u>	<u>\$ 652,803</u>	<u>\$ 1,132</u>	<u>\$ 591,545</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, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 30,588	\$ 163,731	-	\$ 194,319
Charges for Services	-	122,183	-	122,183
Licenses, Permits and Fees	6,508	-	-	6,508
Intergovernmental	28,324	125,120	-	153,444
Miscellaneous	121,534	32,097	-	153,631
<i>Total Cash Receipts</i>	<u>186,954</u>	<u>443,131</u>	<u>-</u>	<u>630,085</u>
<b>Cash Disbursements</b>				
Current:				
General Government	56,664	77,613	-	134,277
Public Safety	-	95,004	-	95,004
Public Works	-	111,982	-	111,982
Health	3,153	64	-	3,217
Debt Service:				
Principal Retirement	-	25,181	-	25,181
Interest and Fiscal Charges	-	253	-	253
<i>Total Cash Disbursements</i>	<u>59,817</u>	<u>310,097</u>	<u>-</u>	<u>369,914</u>
<i>Net Change in Fund Cash Balances</i>	127,137	133,034	-	260,171
<i>Fund Cash Balances, January 1</i>	<u>(220,342)</u>	<u>368,942</u>	<u>\$ 4,300</u>	<u>152,900</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	43	-	-	43
Restricted	-	501,976	-	501,976
Assigned	-	-	4,300	4,300
Unassigned (Deficit)	<u>(93,248)</u>	<u>-</u>	<u>-</u>	<u>(93,248)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (93,205)</u>	<u>\$ 501,976</u>	<u>\$ 4,300</u>	<u>\$ 413,071</u>

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

**Franklin Township**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Franklin Township, Richland 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 was placed in Fiscal Caution on October 3, 2013, by the Auditor of State's Office, pursuant to Ohio Revised Code Section 118.025(A). The Township was given 60 days to provide a written proposal to the Auditor of State. The Township's Fiscal Caution Recovery Plan was reviewed and accepted by the Auditor of State's office on November 18, 2013.

***Public Entity Risk Pool***

The Township participates in a public entity risk pool, the Ohio Plan Risk Management, Inc., a jointly administered self-insurance risk management program. Note 7 to the financial statements provides additional information for these entities. 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.

***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:

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

***Gas 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*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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

***Permissive Sales Tax Fund*** This fund receives permissive sales tax money from the County to pay for constructing, maintaining, and repairing Township roads.

***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.

***Capital Project Funds*** This fund (Capital Projects fund) accounts for and report 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.

***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.

***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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

***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.

A summary of 2016 and 2015 budgetary activity appears in Note 4.

**Franklin Township**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***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.

***Capital Assets***

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

***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. The Township's nonspendable fund balance is made up of unclaimed monies.

***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*** The 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. The Township may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

***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.

**Franklin Township**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

**Note 2 - Summary of Significant Accounting Policies (continued)**

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 Revised Code section 5705.10(I), at December 31, 2016 and 2015, the General Fund had cash deficit balances of \$62,244 and \$93,248, respectively. Contrary to Ohio Revised Code section 5705.39, the General Fund had appropriations exceeding estimated resources in 2016 and 2015 of \$86,148 and \$92,277, respectively.

**Note 4 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,403	\$66,414	\$11
Special Revenue	413,282	413,279	(3)
Capital Projects	0	0	0

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$59,346	\$35,599	\$23,747
Special Revenue	379,800	262,452	117,348
Capital Projects	4,300	3,168	1,132

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$186,951	\$186,954	\$3
Special Revenue	443,131	443,131	0
Capital Projects	0	0	0

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$58,886	\$59,817	(\$931)
Special Revenue	408,693	310,097	98,596
Capital Projects	4,300	0	4,300

**Franklin Township**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 5 – Deposits**

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

	<u>2016</u>	<u>2015</u>
Demand deposits	\$591,545	\$413,071

***Deposits***

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

**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.

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.

**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. Effective November 1, 2014, 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014, respectively.

**Franklin Township**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 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, 2015 and 2014 (the latest information available).

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	<u>(9,112,030)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most of the 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 2016 and 2015, 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.

***Social Security***

The Township's volunteer fire department employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

For 2016 and 2015, employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Franklin Township**  
*Richland County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 – Debt**

*Leases*

The Township leased vehicles and other equipment under noncancelable leases. The Township disbursed \$25,434 to pay lease costs for the year ended December 31, 2015. The leases ended in 2015. Lease payments were made from the Ambulance and EMS Service and the Gasoline Tax special revenue funds.

**Note 11 – Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**Note 12 – Financial Difficulty**

The Township continues to be in a state of Fiscal Caution. As of December 31, 2016, the Township had the following negative fund balance: General fund (\$62,444). As of December 31, 2015, the Township had the following negative fund balance: General fund (\$93,248).

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 in 2015 as a result of findings for recovery issued during the 2011-2012 financial audit and a special audit.



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

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**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 the cash balances, receipts, and disbursements by fund type of Franklin Township, Richland County (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 18, 2017, 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 and was placed in Fiscal Caution by the Auditor of State on August 8, 2013.

***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.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

**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 2016-001 and 2016-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 18, 2017.

**Entity's Responses to Findings**

The Township's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Township's responses and, accordingly, we express no opinion on them.

**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.**  
May 18, 2017

**FRANKLIN TOWNSHIP  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number: 2016-001 – Material Noncompliance**

**Negative Fund Balances**

Ohio Revised Code Section 5705.10(l) 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 2016 and 2015, the General fund had deficit balances of \$62,444 and \$93,248, respectively. We recommend that fund activity be closely monitored to prevent future expenditures in excess of available resources.

**Management Response:**

See Corrective Action Plan.

**Finding Number: 2016-002 – Material Noncompliance**

Ohio Revised Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources. In 2016 and 2015, appropriations exceeded certified available resources in the General fund by \$86,148 and \$92,277, respectively.

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

**Management Response:**

See Corrective Action Plan.

FRANKLIN TOWNSHIP  
RICHLAND COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2016 and 2015

FINDING NUMBER	FUNDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2014-001	Material Weakness – Audit Adjustments and Reclassifications: Various errors were noted in financial statements that required audit adjustments and reclassifications.	Corrective Action Taken and Finding is Fully Corrected	None
2014-002	Non-Compliance – Contrary to Ohio Revised Code Section 5705.41(D), the Township incurred obligations prior to certification of funds.	Corrective Action Taken and Finding is Fully Corrected	None
2014-003	Non-Compliance – Contrary to Ohio Revised Code Section 5705.41(B), the Township had Expenditures in Excess of Appropriations	Partially Corrected	Moved to Management Letter
2014-004	Non-Compliance – Contrary to Ohio Revised Code Section 5705.39, the Township had Appropriations in Excess of Estimated Resources	Not Corrected	Repeated as Finding 2016-002
2014-005	Non-Compliance – Contrary to Ohio Revised Code Section 5705.36(A)(4), the Township failed to certify accurate beginning fund balances to the County.	Corrective Action Taken and Finding is Fully Corrected	None
2014-006	Non-Compliance – Contrary to Ohio Revised Code Section 5705.10(I), the Township incurred negative fund balances.	Not Corrected	Repeated as Finding 2016-001
2014-007	Non-Compliance – Contrary to Ohio Revised Code Section 149.351(A), the Township failed to maintain proper accounting records.	Corrective Action Taken and Finding is Fully Corrected	None

**FRANKLIN TOWNSHIP  
RICHLAND COUNTY**

**CORRECTIVE ACTION PLAN  
December 31, 2016 and 2015**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	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.	Immediately	Jennifer Washburn, Fiscal Officer
2016-002	Management is in the process of correcting the negative cash balance in the General Fund, which is causing this issue.	Immediately	Jennifer Washburn, Fiscal Officer

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# Dave Yost • Auditor of State

**FRANKLIN TOWNSHIP**

**RICHLAND 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  
AUGUST 10, 2017**