



**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2018-2017

**OHIO AUDITOR OF STATE
KEITH FABER**



FRANKLIN TOWNSHIP
RICHLAND COUNTY

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INDEPENDENT AUDITOR'S REPORT

Franklin Township
Richland County
525 Boyce Road
Shelby, Ohio 44875

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, Ohio, (the Township) as of and for the years ended December 31, 2018 and 2017.

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 such 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 (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Franklin Township as of December 31, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Franklin Township, Richland County, Ohio, as of December 31, 2018 and 2017, 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 11 to the financial statements, the Township has suffered recurring losses from operations and has a General fund balance deficiency as of December 31, 2017. Note 11 also describes management's evaluation of the events and conditions and their plans to mitigate these matters. Our opinion is unmodified regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

September 24, 2019

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Franklin Township
Richland County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 28,847	\$ 157,474	\$ -	\$ 186,321
Charges for Services	-	115,005	-	115,005
Licenses, Permits and Fees	11,681	-	-	11,681
Intergovernmental	25,825	170,815	-	196,640
Miscellaneous	17,085	17,076	-	34,161
<i>Total Cash Receipts</i>	<u>83,438</u>	<u>460,370</u>	<u>-</u>	<u>543,808</u>
Cash Disbursements				
Current:				
General Government	24,950	58,712	-	83,662
Public Safety	-	178,759	-	178,759
Public Works	-	191,085	-	191,085
Health	1,100	-	-	1,100
Capital Outlay	-	-	47,000	47,000
<i>Total Cash Disbursements</i>	<u>26,050</u>	<u>428,556</u>	<u>47,000</u>	<u>501,606</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>57,388</u>	<u>31,814</u>	<u>(47,000)</u>	<u>42,202</u>
Other Financing Receipts				
Sale of Capital Assets	-	-	47,000	47,000
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>-</u>	<u>47,000</u>	<u>47,000</u>
<i>Net Change in Fund Cash Balances</i>	57,388	31,814	-	89,202
<i>Fund Cash Balances, January 1</i>	<u>(31,214)</u>	<u>725,678</u>	<u>1,132</u>	<u>695,596</u>
Fund Cash Balances, December 31				
Nonspendable	54	-	-	54
Restricted	-	667,038	1,132	668,170
Committed	-	90,454	-	90,454
Assigned	159	-	-	159
Unassigned	25,961	-	-	25,961
<i>Fund Cash Balances, December 31</i>	<u>\$ 26,174</u>	<u>\$ 757,492</u>	<u>\$ 1,132</u>	<u>\$ 784,798</u>

See accompanying notes to the financial statements

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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, and 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 Pools

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:

Gasoline Tax Fund The gasoline tax fund receives that portion of the State gasoline tax to pay for constructing, maintaining, and repairing Township roads.

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

Capital Project Funds These funds account 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.

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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, 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. 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 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

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.

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

The following funds had appropriations in excess of estimated available resources, contrary to Ohio Revised Code Section 5705.39 at December 31, 2018.

Fund	Estimated Available Resources	Appropriations	Excess
Capital Projects	\$50,132	\$52,034	(\$1,902)

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,287	\$83,438	\$151
Special Revenue	463,298	460,370	(2,928)
Capital Projects	49,000	47,000	(2,000)
Total	\$595,585	\$590,808	(\$4,777)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,141	\$26,209	\$23,932
Special Revenue	491,520	433,276	58,244
Capital Projects	52,034	47,000	5,034
Total	\$593,695	\$506,485	\$87,210

Note 5 – Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was \$784,798.

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2018, the financial institution still maintained its own collateral 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Risk Management

The Township is a member of the Ohio Plan Risk Management, Inc. (OPRM), 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”). OPRM is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, OPRM 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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, 2017 (most recent information available).

	2017
Assets	\$14,853,620
Liabilities	(9,561,108)
Members’ Equity	\$5,292,512

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

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees 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. OPERS members contributed 10% percent of their gross salaries and the Township contributed an amount equaling 14% percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

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.

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, 2018.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0.0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Financial Difficulty

The Township continues to be in a state of Fiscal Caution. As of December 31, 2018, the Township had a positive fund balance in the General fund.

The management of the Township continues to review and restrict expenditures to only what is absolutely necessary for the basic operation of the Township to ensure future financial stability.

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 12 – Subsequent Events

On May 15, 2019, the Township was officially released from fiscal caution by the Ohio Auditor of State's Office.

Franklin Township
Richland County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 30,705	\$ 164,731	\$ -	\$ 195,436
Charges for Services	-	115,165	-	115,165
Licenses, Permits and Fees	10,420	-	-	10,420
Intergovernmental	25,062	128,222	-	153,284
Miscellaneous	1,150	7,839	-	8,989
<i>Total Cash Receipts</i>	<u>67,337</u>	<u>415,957</u>	<u>-</u>	<u>483,294</u>
Cash Disbursements				
Current:				
General Government	34,485	56,640	-	91,125
Public Safety	-	142,945	-	142,945
Public Works	-	143,497	-	143,497
Health	1,676	-	-	1,676
<i>Total Cash Disbursements</i>	<u>36,161</u>	<u>343,082</u>	<u>-</u>	<u>379,243</u>
<i>Excess of Receipts Over Disbursements</i>	<u>31,176</u>	<u>72,875</u>	<u>-</u>	<u>104,051</u>
<i>Fund Cash Balances, January 1</i>	<u>(62,390)</u>	<u>652,803</u>	<u>1,132</u>	<u>591,545</u>
Fund Cash Balances, December 31				
Restricted	-	652,776	1,132	653,908
Committed	-	72,902	-	72,902
Unassigned (Deficit)	<u>(31,214)</u>	<u>-</u>	<u>-</u>	<u>(31,214)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (31,214)</u>	<u>\$ 725,678</u>	<u>\$ 1,132</u>	<u>\$ 695,596</u>

See accompanying notes to the financial statements

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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, and 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 Pools

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:

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

Capital Project Funds These funds account 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.

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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, 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. 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 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

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.

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

The following funds had appropriations in excess of estimated available resources, contrary to Ohio Revised Code Section 5705.39 at December 31, 2017.

Fund	Estimated Available Resources	Appropriations	Excess
General	\$4,949	\$54,307	(\$49,358)
Capital Projects	1,132	3,034	(1,902)

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Compliance (Continued)

Contrary to Ohio Revised Code Section 5705.10(H), at December 31, 2017, the general fund had a cash deficit balance of \$31,214 indicating that revenue from other sources were used to pay obligations of this fund.

Note 4 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,339	\$67,339	\$0
Special Revenue	415,958	415,958	0
Capital Projects	0	0	0
Total	\$483,297	\$483,297	\$0

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,307	\$36,302	\$18,005
Special Revenue	447,800	343,802	103,998
Capital Projects	3,034	0	3,034
Total	\$505,141	\$380,104	\$125,037

Note 5 – Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was \$695,596.

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2017, the financial institution still maintained its own collateral 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Property Taxes (Continued)

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

The Township is a member of the Ohio Plan Risk Management, Inc. (OPRM), 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”). OPRM is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, OPRM 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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, 2017.

	2017
Assets	\$14,853,620
Liabilities	(9,561,108)
Members’ Equity	\$5,292,512

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

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees 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. OPERS members contributed 10% percent of their gross salaries and the Township contributed an amount equaling 14% percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

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.

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, 2017.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1.0 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Financial Difficulty

The Township continues to be in a state of Fiscal Caution. As of December 31, 2017, the Township had a negative fund balance in the General fund of (\$31,214).

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.

Franklin Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 12 – Subsequent Events

On May 15, 2019, the Township was officially released from fiscal caution by the Ohio Auditor of State's Office.



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

**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
525 Boyce Road
Shelby, Ohio 44875

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, Ohio, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 24, 2019, 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 has suffered recurring losses from operation and has a General fund balance deficiency as of December 31, 2017.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 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 2018-002 and 2018-003.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 24, 2019

FRANKLIN TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Material Weakness – Medicount Complimentary User Entity Controls

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The Township has outsourced emergency medical service (EMS) billing, which is a significant account function, to a third-party administrator, Medicount. In accordance with Attestation standard (AT-C 320) Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting, Medicount issues a yearly System and Organization Controls (SOC) 1 report which provides an opinion on the controls at Medicount and also includes Complimentary User Entity Controls (CUEC) which the Township would be responsible for implementing to ensure the completeness, accuracy and cutoff of the financial information the Township reports on the financial statements relative to EMS billing.

Due to a deficiency in the Township's controls, the following CUEC's were not addressed by the Township for the audit period:

- Medicount clients are responsible for reviewing the completeness of the number of runs processed by Medicount.
- Medicount clients are responsible for reviewing the accuracy of the claim coding for each run.
- Medicount clients are responsible for ensuring payments received directly are accurately applied to the claim being paid.
- Medicount clients are responsible for reviewing write offs to ensure they're in accordance with the provisions of the contract.
- Medicount clients are responsible for ensuring the accuracy of the billing fee charged by Medicount.
- Medicount clients are responsible for reconciling the Client Snapshots to ensure the completeness and accuracy of the payments received and fees and credits due to/from Medicount.

The Township did not maintain documentation supporting the review of patient billing and collection performed by Medicount to ensure the run was properly billed based on the information submitted by the Township and also the rate agreed to by the Township and Medicount. Furthermore, the Township did not maintain documentation supporting the review of write-offs made by Medicount.

By not maintaining appropriate documentation of reviews performed by the Township, the Township could not provide evidence of control implementation and operating effectiveness over the CUEC's listed above.

The Township should establish and implement control practices which satisfy the CUEC's prescribed by Medicount. This should include review of the yearly Medicount SOC 1 report and also maintaining appropriate documentation to support the performance of implemented control practices.

Officials' Response:

Franklin Township will implement written procedures and a checklist to follow when reviewing medical billings throughout the year.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-002

Material Noncompliance – Deficit Fund Balance

Ohio Rev. Code § 5705.10(D) states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Further, **Ohio Rev. Code § 5705.10(I)** states that money paid into any fund shall be used only for the purposes for which such fund was established.

As of December 31, 2017, the General fund had a negative fund balance of \$31,214. The negative fund balance is the result of the continued impact of the Township's financial difficulties.

The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

The Township should monitor fund balances to ensure that expenditures are made within appropriated levels of available funds and if negative fund balances are anticipated, the Board should make an approved transfer or advance of funds to cover the necessary expenditure.

Officials' Response:

Franklin Township's deficit fund balance issue has been resolved. Effective May 15, 2019, Franklin Township was released from Fiscal Caution.

FINDING NUMBER 2018-003

Material Noncompliance – Appropriations Exceed Estimated Resources

Ohio Rev. Code § 5705.39 states, in part, that total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

For 2017, total appropriations exceeded total estimated resources in the General Fund by \$49,358. For 2018 and 2017, total appropriations exceeded the total estimated resources in the Capital Projects Fund by \$1,902. The noncompliance is due to the lack of policies and procedures over the review of budgetary information.

This could result in the Township expending more money than it receives and could cause possible negative fund balances.

We recommend the Township ensure that estimated resources are sufficient to cover appropriations at the time of certification or amendment.

Officials' Response:

Franklin Township's deficit fund balance issue has been resolved. Effective May 15, 2019, Franklin Township was released from Fiscal Caution.

Franklin Township
Richland County
 525 Boyce Road
 Shelby, Ohio 44875

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001 2014-006	Negative Fund Balances – Material Noncompliance First reported in 2010	Not Corrected	Similar comment is being repeated in current audit as Finding No. 2018-002.
2016-002 2014-004	Appropriations Exceeding Estimated Resources – Material Noncompliance First reported in 2010	Not Corrected	Similar comment is being repeated in current audit as Finding No. 2018-003.

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OHIO AUDITOR OF STATE KEITH FABER



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
OCTOBER 22, 2019**