



Dave Yost • Auditor of State

FRANKLIN TOWNSHIP
JACKSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	24

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Franklin Township
Jackson County
188 Wastier Cherrington Road
Jackson, Ohio 45640

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, Jackson County, Ohio (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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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, Jackson County, Ohio, 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the Township restated the January 1, 2013 General Fund and Special Revenue Fund balances to record an audit adjustment not posted in the prior audit and the Special Revenue Fund balance was restated to reclassify the Sales Tax Fund as a Capital Projects Fund . Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016, 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 21, 2016

This page intentionally left blank.

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$96,436	\$36,006	\$0	\$0	\$132,442
Charges for Services	1,400	0	0	0	1,400
Intergovernmental	27,021	99,525	94,253	0	220,799
Earnings on Investments	78	187	0	7	272
Miscellaneous	9,464	0	0	0	9,464
<i>Total Cash Receipts</i>	<u>134,399</u>	<u>135,718</u>	<u>94,253</u>	<u>7</u>	<u>364,377</u>
Cash Disbursements					
Current:					
General Government	107,651	0	0	0	107,651
Public Safety	0	34,684	0	0	34,684
Public Works	0	121,774	15,617	0	137,391
Health	12,436	0	0	0	12,436
Conservation-Recreation	798	0	0	0	798
Capital Outlay	0	0	50,905	0	50,905
Debt Service:					
Principal Retirement	0	0	14,193	0	14,193
<i>Total Cash Disbursements</i>	<u>120,885</u>	<u>156,458</u>	<u>80,715</u>	<u>0</u>	<u>358,058</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,514</u>	<u>(20,740)</u>	<u>13,538</u>	<u>7</u>	<u>6,319</u>
<i>Net Change in Fund Cash Balances</i>	13,514	(20,740)	13,538	7	6,319
<i>Fund Cash Balances, January 1</i>	<u>26,268</u>	<u>130,525</u>	<u>24,514</u>	<u>6,284</u>	<u>187,591</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	5,000	5,000
Restricted	0	109,785	38,052	1,291	149,128
Unassigned	39,782	0	0	0	39,782
<i>Fund Cash Balances, December 31</i>	<u>\$39,782</u>	<u>\$109,785</u>	<u>\$38,052</u>	<u>\$6,291</u>	<u>\$193,910</u>

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

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$96,446	\$36,130	\$0	\$0	\$132,576
Charges for Services	1,600	0	0	0	1,600
Intergovernmental	31,687	113,779	97,917	0	243,383
Earnings on Investments	106	206	0	8	320
Miscellaneous	6,902	0	0	0	6,902
<i>Total Cash Receipts</i>	<u>136,741</u>	<u>150,115</u>	<u>97,917</u>	<u>8</u>	<u>384,781</u>
Cash Disbursements					
Current:					
General Government	135,234	0	0	0	135,234
Public Safety	0	34,121	0	0	34,121
Public Works	2,000	121,396	4,000	0	127,396
Health	13,691	0	0	0	13,691
Capital Outlay	66,211	0	74,553	0	140,764
Debt Service:					
Principal Retirement	0	0	14,193	0	14,193
<i>Total Cash Disbursements</i>	<u>217,136</u>	<u>155,517</u>	<u>92,746</u>	<u>0</u>	<u>465,399</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(80,395)</u>	<u>(5,402)</u>	<u>5,171</u>	<u>8</u>	<u>(80,618)</u>
<i>Fund Cash Balances, January 1 (As Restated)</i>	<u>106,663</u>	<u>135,927</u>	<u>19,343</u>	<u>6,276</u>	<u>268,209</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	5,000	5,000
Restricted	0	130,525	24,514	1,284	156,323
Assigned	26,268	0	0	0	26,268
<i>Fund Cash Balances, December 31</i>	<u>\$26,268</u>	<u>\$130,525</u>	<u>\$24,514</u>	<u>\$6,284</u>	<u>\$187,591</u>

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

**FRANKLIN TOWNSHIP
JACKSON 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 the Franklin Township, Jackson 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 cemetery maintenance. The Township contracts with the City of Jackson to provide fire protection.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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. The Township maintains an interest bearing checking account and values its certificate of deposits at cost.

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 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:

**FRANKLIN TOWNSHIP
JACKSON 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)

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

Fire Fund - This fund receives property tax money to pay for the fire protection for the Township.

3. 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.. The Township had the following significant Capital Project Fund:

Sales Tax Fund - This fund receives sales tax money for permanent improvement projects within the Township.

5. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

Cemetery Bequest Fund - This fund receives interest revenue earned on the nonexpendable corpus from a bequest to be used for the maintenance of the Township cemetery.

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, 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. 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 approve estimated

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

F. Fund Balance

Fund balance is divided into four 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:

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. 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.

4. 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.

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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	\$144,359	\$138,225
Certificates of deposit	49,551	49,366
Total deposits	\$193,910	\$187,591

Deposits: Deposits are insured by the Federal Deposit 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	\$0	\$134,399	\$134,399
Special Revenue	0	135,718	135,718
Capital Projects	0	94,253	94,253
Permanent	0	7	7
Total	\$0	\$364,377	\$364,377

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$294,280	\$120,885	\$173,395
Special Revenue	282,961	156,458	126,503
Capital Projects	126,317	80,715	45,602
Permanent	40	0	40
Total	\$703,598	\$358,058	\$345,540

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$136,741	\$136,741
Special Revenue	0	150,115	150,115
Capital Projects	0	97,917	97,917
Permanent	0	8	8
Total	\$0	\$384,781	\$384,781

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$283,240	\$217,136	\$66,104
Special Revenue	294,964	155,517	139,447
Capital Projects	126,317	92,746	33,571
Permanent	40	0	40
Total	\$704,561	\$465,399	\$239,162

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund by \$294,280; Motor Vehicle License Fund by \$25,620; Gasoline Tax Fund by \$166,000; Fire Fund by \$90,344; Sales Tax Fund by \$126,317; FEMA Fund by \$997; and the Cemetery Fund by \$40 for the year ended December 31, 2014, and in the General Fund by \$283,240; Motor Vehicle License Fund by \$25,620; Gasoline Tax Fund by \$166,000; Fire Fund by \$90,344; Sales Tax Fund by \$126,317; FEMA Fund by \$13,000; and the Cemetery Fund by \$40 for the year ended December 31, 2013.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Backhoe	\$14,009	3.75%

The Township entered a lease purchase agreement on May 9, 2011 with Caterpillar Financial Services for the purchase of a backhoe in the amount of \$66,018. The final payment will be made in May 2015.

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

Year ending December 31:	Backhoe
2015	\$14,193

6. Retirement System

The Township's elected officials and employee 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%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

7. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool.

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management (Continued)

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$5,563	\$5,585

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

FRANKLIN TOWNSHIP
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

8. Restatement of Prior Year Balance

The Township had the following restatement:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Reported Fund Balance at December 31, 2012	\$107,920	\$155,513	\$0
Reclassification of Sales Tax Fund		(19,315)	19,315
Unposted prior audit adjustments	(1,257)	(271)	28
Restated Fund Balance at January 1, 2013:	<u>\$106,663</u>	<u>\$135,927</u>	<u>\$19,343</u>



Dave Yost • Auditor of State

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

Franklin Township
Jackson County
188 Wastier Cherrington Road
Jackson, Ohio 45640

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, Jackson County, Ohio (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 March 21, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the Township restated beginning January 1, 2013 General Fund and Special Revenue Fund balances to record an audit adjustment not posted in the prior audit and the Special Revenue Fund balance was restated to reclassify the Sales Tax Fund as a Capital Projects Fund.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2014-001, 2014-002, 2014-005, 2014-007, and 2014-008 to be material weaknesses.

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 2014-001 through 2014-007.

Entity'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 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.



Dave Yost
Auditor of State
Columbus, Ohio

March 21, 2016

**FRANKLIN TOWNSHIP
JACKSON 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

Noncompliance/Material Weakness

Ohio Admin. Code §§ 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Ohio Admin. Code § 117-2-01(D)(4) states that when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Township's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Board of Trustees monitor financial activity closely.

Board of Trustees review of financial reports and information was limited. The Board of Trustees received a copy of the bank statement each month. No formal bank reconciliations were performed each month for Board approval. The cash journal and bank reconciliations were not completed for the audit period until the Township was declared unauditible in July 2015. In addition, appropriation and receipt ledgers were not maintained. Therefore, the records provided to the Trustees did not provide any reliance that internal controls were in place. Formal bank reconciliations were not prepared so there were no processes or procedures in place to ensure transactions were posted in the proper period. Further, no process existed to identify unusual fluctuations between accounts or between fiscal years.

Failure to perform monthly reconciliations can result in errors going undetected by the Fiscal Officer.

In addition, we noted that estimated receipts and appropriations were not recorded in the manual ledger accounting system. This prevents accurate monitoring by the Board of Trustees and could result in an inaccurate presentation of budget to actual financial reports.

The Fiscal Officer should prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner. These reconciliations should be reviewed and approved by the Board of Trustees at monthly meetings.

Also, the Fiscal Officer should maintain records of budget and actual information in a format easily reviewable by the Board of Trustees. We further recommend the Board of Trustees review detailed financial reports, budget versus actual information, and bank reconciliations on a monthly basis.

This review should be documented in the minute record and/or initialed and dated to evidence review. We also recommend the Township Trustees make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-001 (Continued)

Noncompliance/Material Weakness – Ohio Admin. Code § 117-2-01(D)(3) and (5) (Continued)

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Township.

Officials' Response: The Township has contracted with the Auditor of State's Uniform Accounting Network. Beginning with fiscal year 2015, all transactions will be on the UAN system, accounting and payroll, and Trustee's will be provided with a monthly reconciliation and financial statement reports.

FINDING NUMBER 2014-002

Noncompliance/Material Weakness

Ohio Admin. Code § 117-2-02 provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
- (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - A. Payroll records including:
 - i. W-2's, W-4's and other withholding records and authorizations;
 - ii. Payroll journal that records, assembles, and classifies by pay period the name of the employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay and other compensation due to an employee (such as termination payment), and the fund and account charged for the payments;
 - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
 - iv. Information regarding nonmonetary benefits such as car usage and life insurance; and
 - v. Information, by employee, regarding leave balances and usage.

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-002 (Continued)

Noncompliance/Material Weakness – Ohio Admin. Code § 117-2-02 (Continued)

The Fiscal Officer did not maintain an appropriation ledger or a receipts ledger during the audit period. In addition, the Fiscal Officer did not maintain a payroll ledger, W-2's or W-4's for 2014. Furthermore, no documentation of the Township's full time employee's leave usage or balances was maintained.

The Fiscal Officer should maintain all required accounting records.

Officials' Response: The Township has contracted with the Auditor of State's Uniform Accounting Network. Beginning with fiscal year 2015, all transactions will be on the UAN system, accounting and payroll, and Trustee's will be provided with a monthly reconciliation and financial statement reports.

FINDING NUMBER 2014-003

Noncompliance

Ohio Rev. Code § 117.38 provides that cash-basis entities must file annual reports with the Auditor of State (AOS) within 60 days of the fiscal year end. The AOS may prescribe by rule or guidelines the forms for these reports. However, if the AOS has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The AOS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the following: (A) amount of collections and receipts, and accounts due from each source; (B) amount of expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) amount of public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Township did not file its 2014 and 2013 report with the Auditor of State. Failure to file the annual financial report within 60 days of the fiscal year-end can result in fines and penalties.

The Township should file its annual financial reports with the Auditor of State within 60 days of each fiscal year end.

Officials' Response: The previous fiscal officer did not file reports with either the State of Ohio or the Jackson County Auditor. Annual reports will be filed with AOS using UAN system.

FINDING NUMBER 2014-004

Noncompliance

Ohio Rev. Code § 145.47 requires each employer to report and pay amounts withheld from all employees for contributions to the Ohio Public Employees Retirement System (OPERS) within thirty days of the end of the reporting period in which amounts were withheld.

Employee withholding and the employer's portion of retirement were not remitted in a timely manner for sixty-seven percent and seventy-five percent of remittances tested for 2014 and 2013. This resulted in penalties assessed for the late payments and late filing of withholding reports.

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-004 (Continued)

Noncompliance – Ohio Rev. Code § 145.47 (Continued)

The Township should pay all withholdings in a timely manner and that the reports are filed within 30 days of the end of the reporting period.

Officials' Response: The previous fiscal officer did get backed up on some reporting requirements. Currently, the Township is up to date with all filings with the Ohio Public Employees Retirement System and it is in the Township's intentions for that to remain the case.

FINDING NUMBER 2014-005

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is 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 certificate.

Appropriations exceeded estimated resources at December 31, 2014, as follows:

Fund	Estimated Resources	Appropriation Authority	Variance
General	\$0	\$294,280	(\$294,280)
Motor Vehicle License	0	25,620	(25,620)
Gasoline Tax	0	166,000	(166,000)
Fire	0	90,344	(90,344)
Sales Tax	0	126,317	(126,317)
FEMA	0	997	(997)
Cemetery	0	40	(40)

Appropriations exceeded estimated resources at December 31, 2013, as follows:

Fund	Estimated Resources	Appropriation Authority	Variance
General	\$0	\$283,240	(\$283,240)
Motor Vehicle License	0	25,620	(25,620)
Gasoline Tax	0	166,000	(166,000)
Fire	0	90,344	(90,344)
Sales Tax	0	126,317	(126,317)
FEMA	0	13,000	(13,000)
Cemetery	0	40	(40)

This could result in overspending of available resources.

The Fiscal Officer should monitor the approved appropriations to ensure they do not exceed the estimated resources on the amended certificates.

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-005 (Continued)

Noncompliance/Material Weakness – Ohio Rev. Code § 5705.39 (Continued)

Officials' Response: The Township is aware that the previous fiscal officer did not file the appropriate documentation with the County Auditor, and the Trustees, along with the current fiscal officer, have taken the appropriate steps, as noted in the minutes, to remedy this in the future. The Township is current with all filings with the County Auditor.

FINDING NUMBER 2014-006

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the 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 the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 so-called "blanket" certificates not running beyond 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. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-006 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)

92% of disbursements tested during 2013 and 2014 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

The Board of Trustees should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: The Township Fiscal Officer feels that the new controls put in place by properly using the UAN accounting system will alleviate most instances of improperly encumbering funds.

FINDING NUMBER 2014-007

Noncompliance/Material Weakness

Internal Revenue Code (IRC) Chapter 26 §3401, §3402, §3403, §3404, §3405, and §3102(a) require the employing government to withhold federal, state, and local income and employment related taxes (such as Medicare). They also require the government to report and remit those tax matters to the appropriate tax authorities and to the recipients.

At December 31, 2014, the Township owed the Internal Revenue Service \$10,930.17 related to 2014 federal withholdings not paid. In addition, the Township remitted fiscal year 2013, 2012, along with December 2011 federal taxes on December 5, 2013. Furthermore, the Township should maintain supporting 941's when remitting payments to the Internal Revenue Service.

Failure to properly remit payroll taxes may lead to penalties, interest, and findings against the Township.

The Township should properly withhold the necessary amounts as determined by the Internal Revenue Code and report the amounts withheld and remit the amounts to the proper authorities in the time frame prescribed by law.

Officials' Response: The previous fiscal officer did not remit on a timely basis. All taxes were withheld correctly from the employees' earnings; it was just not remitted to the appropriate agencies. The Township is currently in the process of depositing these and current withholdings to both the Internal Revenue Service and the State Department of Taxation and filing the appropriate documentation to support these withholdings with each Agency.

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-008

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following errors were noted in the financial statements that required audit adjustments or reclassifications:

In 2013:

- General Fund January 1, 2013 beginning fund balance was decreased \$1,257 to record a prior year audit adjustment;
- General Fund unassigned fund balance of \$26,268 was reclassified as assigned fund balance;
- Motor Vehicle License Fund January 1, 2013 beginning fund balance was increased \$19 to record a prior year audit adjustment;
- Gasoline Tax Fund January 1, 2013 beginning fund balance was decreased \$355 to record a prior year audit adjustment;
- Gasoline Tax Fund intergovernmental receipt of \$2,640 was incorrectly posted as intergovernmental in the Motor Vehicle License Fund;
- Fire Fund interest receipts of \$206 were unrecorded;
- Sales Tax Capital Projects Fund intergovernmental receipts of \$97,917; public works disbursements of \$4,000; capital outlay disbursements of \$74,553; debt service principal retirement disbursements of \$14,193; and beginning fund balance of \$19,315 were incorrectly classified in a Special Revenue Fund; and
- Sales Tax Capital Projects Fund January 1, 2013 beginning fund balance was increased \$28 to record a prior year audit adjustment.

In 2014:

- Fire Fund interest receipts of \$186 were unrecorded; and
- Sales Tax Capital Projects Fund intergovernmental receipts of \$94,253; public works disbursements of \$15,617; capital outlay disbursements of \$50,905; debt service principal retirement disbursements of \$14,193; and beginning fund balance of \$24,486 were incorrectly classified in a Special Revenue Fund.

The audited financial statements and the Township's UAN accounting system have been adjusted for the issues noted above.

The Fiscal Officer should review the Township's handbook for guidance to ensure the financial statements are complete and accurate.

Officials' Response: The Township has contracted with the Auditor of State's Uniform Accounting Network. Beginning with fiscal year 2015, all transactions will be on the UAN system, accounting and payroll, and Trustee's will be provided with a monthly reconciliation and financial statement reports. This should aid in the elimination of these types of errors and omissions.

**FRANKLIN TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code § 5705.39 appropriations exceeded estimated resources.	No	Not Corrected. Reissued as Finding Number 2014-005.
2012-002	Ohio Rev. Code § 5575.01 chip and seal contracts exceeded competitive bidding threshold.	No	Not Corrected. Reissued in the management letter.
2012-003	Material Weakness – Budgetary entries per appropriation and receipt ledgers did not reconcile to Board approved amounts.	No	Not Corrected. Reissued as Finding 2014-001.



Dave Yost • Auditor of State

FRANKLIN TOWNSHIP

JACKSON 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
APRIL 5, 2016**