

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

AUDIT REPORT

JANUARY 1, 2015 - DECEMBER 31, 2016



Dave Yost • Auditor of State

Board of Trustees
Franklin Township
P. O. Box 161
Strasburg, Ohio 44680

We have reviewed the *Independent Auditors' Report* of Franklin Township, Tuscarawas County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Franklin Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 1, 2017

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**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY
JANUARY 1, 2015 - DECEMBER 31, 2016**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Franklin Township
Tuscarawas County
P.O. Box 161
Strasburg, Ohio 44680

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Franklin Township, Tuscarawas County, as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonable 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 permitted 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, Tuscarawas County as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Franklin Township, Tuscarawas County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2017, on our consideration of Franklin 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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 28, 2017

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 53,993	\$ 255,396	\$ 309,389
Intergovernmental	33,228	98,205	131,433
Total Cash Receipts	<u>87,221</u>	<u>353,601</u>	<u>440,822</u>
Cash Disbursements:			
Current:			
General Government	135,799	-	135,799
Public Safety	-	73,149	73,149
Public Works	-	191,239	191,239
Health	-	100,000	100,000
Capital Outlay	27,000	20,000	47,000
Total Cash Disbursements	<u>162,799</u>	<u>384,388</u>	<u>547,187</u>
Excess of Receipts Over (Under) Disbursements	(75,578)	(30,787)	(106,365)
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	10,000	-	10,000
Total Other Financing Receipts (Disbursements)	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Cash Balance	(65,578)	(30,787)	(96,365)
Fund Cash Balances, January 1	<u>145,796</u>	<u>486,977</u>	<u>632,773</u>
Fund Cash Balances, December 31			
Restricted	-	456,190	456,190
Unassigned (Deficit)	80,218	-	80,218
Fund Cash Balances, December 31	<u>\$ 80,218</u>	<u>\$ 456,190</u>	<u>\$ 536,408</u>

See notes to financial statements.

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 50,744	\$ 229,904	\$ 280,648
Intergovernmental	29,885	83,601	113,486
Total Cash Receipts	<u>80,629</u>	<u>313,505</u>	<u>394,134</u>
Cash Disbursements:			
Current:			
General Government	121,393	-	121,393
Public Safety	-	28,561	28,561
Public Works	-	229,190	229,190
Health	-	100,000	100,000
Total Cash Disbursements	<u>121,393</u>	<u>357,751</u>	<u>479,144</u>
Net Change in Fund Cash Balance	(40,764)	(44,246)	(85,010)
Fund Cash Balances, January 1	<u>186,560</u>	<u>531,223</u>	<u>717,783</u>
Fund Cash Balances, December 31			
Restricted	-	486,977	486,977
Unassigned (Deficit)	145,796	-	145,796
Fund Cash Balances, December 31	<u>\$ 145,796</u>	<u>\$ 486,977</u>	<u>\$ 632,773</u>

See notes to financial statements.

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Franklin Township, Tuscarawas County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance and fire protection services. The Township contracts with the Village of Strasburg to provide fire protection services.

The Township participates in the Ohio Township Association Risk management Authority (OTARMA) public entity risk pool and in the Tuscarawas County Regional Planning Commission, a jointly governed organization. Notes 6, 9 and 10 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

B. 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 – This fund receives gasoline tax monies to pay for constructing, maintaining, and repairing Township roads.

Road & Bridge Fund – This fund receives property tax monies to maintain Township roads and bridges

Fire District Fund – This fund receives property tax monies to pay for fire protection services.

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 and 2015 appear in Note 3.

E. 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.

F. 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.

G. 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.

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2016 and 2015 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 86,065	\$ 97,221	\$ 11,156
Special Revenue	346,000	353,601	7,601
Total	\$ 432,065	\$ 450,822	\$ 18,757

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 210,100	\$ 162,799	\$ 47,301
Special Revenue	763,155	384,388	378,767
Total	\$ 973,255	\$ 547,187	\$ 426,068

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 79,878	\$ 80,629	\$ 751
Special Revenue	353,210	313,505	(39,705)
Total	\$ 433,088	\$ 394,134	\$ (38,954)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 121,393	\$ (121,393)
Special Revenue	-	357,751	(357,751)
Total	\$ -	\$ 479,144	\$ (479,144)

Contrary to ORC 5705.41(D), the Township had made expenditures prior to certification.

Contrary to ORC 5705.41(B), all expenditures exceeded appropriation in 2015 due to no appropriation measure being filed with the County Auditor.

Contrary to ORC 5705.38, no appropriations were passed and filed with the County Auditor for 2015.

4. EQUITY IN POOLED CASH

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:

	2016	2015
Demand Deposits	\$ 536,408	\$ 632,773
Total Deposits	\$ 536,408	\$ 632,773

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

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

5. PROPERTY TAX

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

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

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

6. RISK MANAGEMENT

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.) 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, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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, 2016 and 2015 (the latest information available):

	<u>2016</u>	<u>2015</u>
Assets	\$38,473,283	\$37,313,311
Liabilities	(8,244,140)	(8,418,518)
Retained Earnings	<u>\$30,229,143</u>	<u>\$28,894,793</u>

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$7.4 and \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 and \$7.7 million of unpaid claims to be billed to approximately 1,010 members and 989 member governments in the future, as of December 31, 2016 and 2015, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$0.

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT(Continued)

Based on discussion 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.

Contributions to OTARMA

2016	\$ -
2015	5,920
2014	5,859

After completing 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.

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The Township's full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2016.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. PUBLIC ENTITY RISK POOL

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

10. JOINTLY GOVERNED ORGANIZATIONS

The Township is associated with the Tuscarawas County Regional Planning Commission, (the Commission) as a Jointly Governed Organization. The Commission is statutorily created political subdivision of the state. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. The Township contributed \$669 and \$334 in 2016 and 2015, respectively, to the Regional Planning Commission.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Franklin Township
Tuscarawas County
P.O. Box 161
Strasburg, Ohio 44680

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Franklin Township, Tuscarawas County as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 28, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2016-001, 2016-002, 2016-003, 2016-004 and 2016-005 described in the accompanying schedule of findings to be material weaknesses.

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2016-001 and 2016-002.

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.

Wilson, Phillips & Agin, CPA's, Inc.

Zanesville, Ohio

June 28, 2017

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2016-001

Noncompliance/Material Weakness

Ohio Revised Code Section 5705.38(A) states that on or about the first day of the fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of an annual appropriation measure until an amended certificate is received from the County Budget Commission based on the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated.

For 2015 and 2016 temporary appropriations were not approved in the minutes and no detail was presented for audit. In 2015, permanent appropriations were approved in the minutes, however, permanent appropriations were not filed with the County Auditor. For 2016, permanent appropriations were not approved in the minutes and were not filed with the County Auditor until June 17, 2016.

Without a permanent appropriation resolution being approved; expenditures exceeded appropriations for all funds in 2015.

We recommend the Fiscal Officer ensure its annual appropriation resolution is passed in a timely manner. The annual appropriation resolution should be signed by the Board of Trustees and maintained by the Fiscal Officer or attached to the minutes and filed with the County Auditor. If the Board of Trustees passes a temporary appropriation measure, the measure should provide detail such as fund, function and object and amount and signed copies should be maintained by the Fiscal Officer and presented for audit. Also, the Fiscal Officer should deny requests for payments when appropriations are not available.

Client Response: We have received no response from the client.

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2016-002

Noncompliance/Material Weakness

Ohio Revised Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had the following funds which had expenditures greater than appropriation authority.

Fund	Year	Appropriation Authority	Expenditures	Variance
General Fund	2015	\$ -	\$ 121,393	\$ (121,393)
MVL License Tax	2015	-	1,441	(1,441)
Gasoline Tax	2015	-	62,252	(62,252)
Road & Bridge	2015	-	156,655	(156,655)
Cemetery	2015	-	100,000	(100,000)
Fire District	2015	-	28,561	(28,561)
Permissive MVL Tax	2015	-	8,844	(8,844)

All expenditures for 2015 exceeded appropriation authority.

We recommend the Trustees pass permanent appropriations with the County Auditor. In addition, we recommend the Trustees compare expenditures versus appropriation authority throughout the year. Also, the Trustees should not approve expenditures greater than appropriations. This can result in the Township spending more money than it appropriated and could cause possible negative fund balances.

Client Response: We have received no response from the client.

FINDING NUMBER 2016-003

Material Weakness – Reclassifications

All local offices should 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 the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2016, the Township’s receipts and disbursements were not always posted into accurate classifications. The following misclassifications were noted:

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2016-003 (Continued)

- Homestead and rollback receipts in the amounts of \$3,696, \$6,595, \$3,694 and \$2,693 were reclassified to Intergovernmental Receipts from Property and Other Local taxes within the General Fund, Road & Bridge Fund, Cemetery Fund and Fire District Fund.
- Proceeds from the sale of a dump truck in the amount of \$10,000 was reclassified to Sale of Capital Assets from Intergovernmental Receipts within the General Fund.
- A truck purchase in the amounts of \$27,000, \$10,000 and \$10,000 were reclassified to Capital Outlay from General Government within the General Fund, Public Works within the MVL Tax Fund, and Public Works within the Road & Bridge Fund, respectively.

Reclassifications are reflected within the accompanying financial statements.

Client Response: We received no response from the client.

FINDING 2016-004

Material Weakness – Bank Reconciliations

In order to ensure the completeness over the Township’s financial statements and reports, bank reconciliations should be performed on a monthly basis. The monthly bank reconciliation process should include the investigation and resolution of any variances between amounts reported by the bank and amounts posted to the Township’s accounting system.

The Township’s bank reconciliations during the audit period contained significant reconciling factors labeled as “other adjusting factors.” The Fiscal Officer failed to follow up on these variances each month and, therefore, differences between the Township’s bank balance and book balance accumulated.

Through additional audit procedures, we noted these variances in 2016 were partly due to the result of rollbacks received from the State of Ohio. These payments were direct deposited in the bank, but not recorded in the accounting system.

For both 2015 and 2016, we noted several outstanding checks that were electronic payments that should have cleared the bank, but were still stated as outstanding checks at year end. Also, we noted outstanding deposits at year end, that never were deposited in the bank.

The failure to investigate and identify variances and old reconciling items as part of the monthly reconciliation process could result in errors and/or irregularities occurring and remaining undetected. This also results in monthly financial reports being misleading due to these reports, including the incorrect balances for each fund. During the current audit period, this resulted in significant audit adjustments being made to the Township’s financial statements and also resulted in time spent by auditors in identifying and investigating these variances.

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2016-004 (Continued)

We recommend the Fiscal Officer perform bank reconciliations on a monthly basis. In order for the reconciliation process to be effective, variances should be promptly investigated and corrected as part of the reconciliation process. In addition, we recommend the Board of Trustees review the Township’s bank reconciliations each month to monitor for unusual items and to ensure variances are corrected on a timely basis.

Client Response: We received no response from the client.

FINDING NUMBER 2016-005

Material Weakness

All local public offices should integrate the budgetary accounts at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2015, appropriations in the Township’s ledgers did not agree to the amounts approved by the Board of Trustees for the following funds:

	Appropriations Per Township Accounting System	Appropriations Per Board of Trustees	Variance
General	\$ 257,100	\$ -	\$ 257,100
MVL Tax	48,000	-	48,000
Gasoline Tax	124,000	-	124,000
Road & Bridge	170,000	-	170,000
Cemetery	325,000	-	325,000
Fire District	145,000	-	145,000
Permissive MVL Tax	27,300	-	27,300

At December 31, 2015, estimated receipts in the Township’s ledgers did not agree to the amounts approved by the Budget Commission for the following funds:

	Estimated Receipts Approved by the Budget Commission	Estimated Receipts Per Township’s Accounting System	Variance
General	\$ 79,878	\$ 71,065	\$ 8,813
Road & Bridge	135,200	133,900	1,300
Fire District	60,500	46,000	14,500

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2016-005 (Continued)

This occurred because the Township did not prepare a Permanent Appropriation Resolution and submit it to the County Budget Commission in 2015.

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in adjustments to the budgetary note disclosure.

We recommend the Fiscal Officer accurately post appropriations as approved by the Board of Trustees and estimated receipts as approved by the County Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Client Response: We received no response from the client.

**FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-01	ORC 5705.41(D)(1) Fiscal Certificates Dated After Invoices	No	Partially Corrected - Refer to Management Letter
2014-02	Significant Deficiency: Reclassifications	No	Not Corrected - Refer to Findng 2016-003

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Dave Yost • Auditor of State

FRANKLIN TOWNSHIP

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 15, 2017