



Dave Yost • Auditor of State

FRANKLIN TOWNSHIP
WARREN 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, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) – Private Purpose Trust Fund - For the Year Ended December 31, 2012	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) – Private Purpose Trust Fund - For the Year Ended December 31, 2011	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	19

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Franklin Township
Warren County
P.O. Box 364
Franklin, Ohio 45005

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Franklin Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position thereof for the year 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, Warren County as of December 31, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Franklin Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2013, 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.



Dave Yost
Auditor of State

Columbus, Ohio

July 10, 2013

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$355,464	\$406,033		\$761,497
Licenses, Permits and Fees	135,076	71,252		206,328
Intergovernmental	169,064	321,490	\$54,922	545,476
Special Assessments	0	39,616	0	39,616
Earnings on Investments	387	197	0	584
Miscellaneous	11,416	101,730	13,800	126,946
<i>Total Cash Receipts</i>	<u>671,407</u>	<u>940,318</u>	<u>68,722</u>	<u>1,680,447</u>
Cash Disbursements				
Current:				
General Government	378,348	0	0	378,348
Public Safety	93,662	151,144	0	244,806
Public Works	2,478	433,375	0	435,853
Health	55,281	146,158	0	201,439
Human Services	0	110,681	0	110,681
Conservation-Recreation	13,358	0	0	13,358
Capital Outlay	60,867	0	68,329	129,196
<i>Total Cash Disbursements</i>	<u>603,994</u>	<u>841,358</u>	<u>68,329</u>	<u>1,513,681</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>67,413</u>	<u>98,960</u>	<u>393</u>	<u>166,766</u>
Other Financing Receipts (Disbursements)				
Advances In	15,000	15,000	0	30,000
Advances Out	(15,000)	(15,000)	0	(30,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	67,413	98,960	393	166,766
<i>Fund Cash Balances, January 1</i>	<u>311,569</u>	<u>377,415</u>	<u>380</u>	<u>689,364</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	445,833	773	446,606
Committed	0	30,248	0	30,248
Assigned	0	0	0	0
Unassigned (Deficit)	378,982	0	0	378,982
<i>Fund Cash Balances, December 31</i>	<u><u>\$378,982</u></u>	<u><u>\$476,081</u></u>	<u><u>\$773</u></u>	<u><u>\$855,836</u></u>

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

FRANKLIN TOWNSHIP
WARREN COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

Operating Cash Receipts	
Earnings on Investments	<u>\$100</u>
<i>Total Operating Cash Receipts</i>	<u>100</u>
<i>Total Operating Cash Disbursements</i>	<u>0</u>
<i>Operating Income</i>	<u>100</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	100
<i>Fund Cash Balances, January 1</i>	<u>54,411</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$54,511</u></u>

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

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$352,804	\$408,513		\$761,317
Licenses, Permits and Fees	128,439	75,024		203,463
Intergovernmental	272,261	329,648	\$46,246	648,155
Special Assessments	0	36,614	0	36,614
Earnings on Investments	476	48	0	524
Miscellaneous	29,784	59,812	12,750	102,346
<i>Total Cash Receipts</i>	<u>783,764</u>	<u>909,659</u>	<u>58,996</u>	<u>1,752,419</u>
Cash Disbursements				
Current:				
General Government	407,468	0	0	407,468
Public Safety	102,364	166,867	0	269,231
Public Works	5,860	496,701	0	502,561
Health	80,073	122,358	0	202,431
Human Services	0	129,541	0	129,541
Conservation-Recreation	30,909	0	0	30,909
Capital Outlay	415,395	22,000	58,996	496,391
<i>Total Cash Disbursements</i>	<u>1,042,069</u>	<u>937,467</u>	<u>58,996</u>	<u>2,038,532</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(258,305)</u>	<u>(27,808)</u>	<u>(0)</u>	<u>(286,113)</u>
Other Financing Receipts (Disbursements)				
Advances In	5,000	5,000	0	10,000
Advances Out	(5,000)	(5,000)	0	(10,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(258,305)	(27,808)	(0)	(286,113)
<i>Fund Cash Balances, January 1 - (restated, see note 9)</i>	<u>569,874</u>	<u>405,223</u>	<u>380</u>	<u>975,477</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	337,197	380	337,577
Committed	0	40,218	0	40,218
Assigned	0	0	0	0
Unassigned (Deficit)	311,569	0	0	311,569
<i>Fund Cash Balances, December 31</i>	<u>\$311,569</u>	<u>\$377,415</u>	<u>\$380</u>	<u>\$689,364</u>

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

FRANKLIN TOWNSHIP
WARREN COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

Operating Cash Receipts	
Earnings on Investments	<u>\$285</u>
<i>Total Operating Cash Receipts</i>	<u>285</u>
<i>Total Operating Cash Disbursements</i>	<u>0</u>
<i>Operating Income</i>	<u>285</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	285
<i>Fund Cash Balances, January 1 (restated - see note 9)</i>	<u>54,126</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$54,411</u></u>

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

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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, Warren County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the City of Franklin to provide fire services.

The Township participates in one joint venture, one jointly governed organization and the Ohio Township Association Risk Management Authority public entity risk pool. These organizations are:

Joint Venture:

The Township is involved in a joint venture pertaining to a joint recreation facility owned by the City of Franklin and Franklin Township. See Note 7 for additional information.

Jointly Governed Organization:

The Joint Emergency Medical Services is a jointly governed organization that provides emergency medical services to the City of Carlisle and Franklin Township. See Note 8 for additional information.

Public Entity Risk Pool:

The township participates in 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. See Note 6 for additional information.

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 the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

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 values U.S. Treasury Notes at cost. STAR Ohio is recorded at share values STAR Ohio report.

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 Fund:

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

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 funds:

LOEB Foundation Grant – This fund is used to record the related receipts and expenditures of benefits received from the local grant for fire equipment.

CDBG Grant – The Township received an allocation of a Federal Grant from Warren County for construction of a road at Pennyroyal in a joint project with Warren County and the City of Springboro.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust funds are for the benefit of individual cemetery lots. The Township does not have any agency funds.

E. Budgetary Process

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

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Township did not have any nonspendable fund balance.

2. Restricted

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

3. Committed

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.

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

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 and Investments

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

	2012	2011
Demand deposits	\$649,969	\$485,900
Certificates of deposit	10,956	10,956
Other time deposits (savings and NOW accounts)	41,555	41,454
Total deposits	702,480	538,310
U.S. Treasury Notes	2,000	2,000
STAR Ohio	203,626	203,465
Total investments	205,626	205,465
Total deposits and investments	\$908,106	\$743,775

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

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

Investments: The Federal Reserve holds the Township's U.S. Treasury Notes in book-entry form by, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$686,407	\$686,407	\$0
Special Revenue	955,317	955,318	1
Capital Projects	68,722	68,722	0
Private Purpose Trust	100	100	0
Total	\$1,710,546	\$1,710,547	\$1

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$934,807	\$621,235	\$313,572
Special Revenue	1,258,437	856,652	401,785
Capital Projects	68,102	68,329	(227)
Private Purpose Trust	1,400	0	1,400
Total	\$2,262,746	\$1,546,216	\$716,530

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$788,764	\$788,764	\$0
Special Revenue	903,436	914,659	11,223
Capital Projects	112,750	58,996	(53,754)
Private Purpose Trust	237	285	48
Total	\$1,805,187	\$1,762,704	(\$42,483)

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,207,926	\$1,047,069	\$160,857
Special Revenue	1,174,073	942,467	231,606
Capital Projects	110,380	58,996	51,384
Private Purpose Trust	1,400	0	1,400
Total	\$2,493,779	\$2,048,532	\$445,247

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

6. Risk Pool Membership

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.

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Risk Pool Membership (Continued)

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2011 and 2010 (the latest information available):

	2011	2010
Assets	\$35,086,165	\$35,855,252
Liabilities	(9,718,792)	(10,664,724)
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately.

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.

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Risk Pool Membership (Continued)

Contributions to OTARMA	
2010	\$28,233
2011	32,834
2012	33,959

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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. Joint Ventures

The Township is involved in a joint venture pertaining to a joint recreation facility owned by the City of Franklin and Franklin Township. The facility is managed by a board of ten trustees, five appointed by each of the participating governments. The City and the Township each commit approximately \$25,000 per year plus upkeep and expenses.

8. Jointly Governed Organizations

The Joint Emergency Medical Service (JEMS) is a jointly governed organization, which provides ambulance services to the City of Franklin (through 2011), City of Carlisle, and Franklin Township. Each of the three political subdivisions appoints one member of the three member board of trustees. JEMS owns and operates assets in its own name. JEMS has authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the District, charges for services and a tax levy.

9. Restatement of Beginning Fund Balance

The Township accounted for cemetery bequest funds as Permanent Funds in the 2010-2009 financial statements. According to AOS Bulletin 2005-005, the bequests should be classified as Private Purpose Trust Funds. The fund balances will be restated as follows:

	Permanent Fund	Private Purpose Trust Fund
Beginning Balance: January 1, 2011	\$ 54,126	\$ 0
Restatement of Beginning Fund Balance: January, 1	(\$54,126)	\$ 54,126
Beginning Balance: January 1, 2011 as restated	\$ 0	\$ 54,126



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
Warren County
P.O. Box 364
Franklin, Ohio 45005

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Franklin Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements and have issued our report thereon dated July 10, 2013 wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We also noted that during 2011 the Franklin Township, Warren County, Ohio adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-02.

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.

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

July 10, 2013

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township lacks management oversight in the posting of financial activity. This oversight is illustrated by the following conditions:

- In 2012, the Township posted receipts of property tax rollback monies as property tax revenue instead of intergovernmental revenue. The amounts posted to each fund incorrectly are as follows:
 - General Fund: \$48,892
 - Road & Bridge Fund: \$31,051
 - Fire District Fund: \$23,382
 - Special Levy for Senior Citizens Service Fund: \$16,369
- In 2011, the Township recorded receipt of on-behalf services (CDBG) at the wrong amount. The Township recorded \$100,000 in revenue instead of \$46,246.

Failure to properly post receipts can result in misleading financial statements. The Township posted adjustments to the financial statements for the above items.

We recommend the Township take due care when posting receipts.

FINDING NUMBER 2012-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D)(1), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

FINDING NUMBER 2012-002
(Continued)

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 the 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 Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket 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 extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds for purchase commitments for 65.22% (15 of 23) of expenditures tested for 2012 and 12% (3 of 25) of expenditures tested for 2011 and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also 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 funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township officials and employees 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 orders to the proper appropriation code to reduce the available appropriation.

**FRANKLIN TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Appropriations exceeding estimated resources	Yes	
2010-02	Properly encumbering funds	No	Repeated as finding 2012-002
2010-03	Properly Posting Permissive Auto Tax Receipts	Yes	

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Dave Yost • Auditor of State

FRANKLIN TOWNSHIP

WARREN 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 6, 2013**