

***FRANKLIN TOWNSHIP***

**JACKSON COUNTY, OHIO**

**AUDIT**

**For the Years Ended December 31, 2012 and 2011**







# Dave Yost • Auditor of State

Board of Trustees  
Franklin Township  
2814 Bert Harrold Rd.  
Jackson, Ohio 45640-9007

We have reviewed the *Independent Auditor's Report* of Franklin Township, Jackson County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. 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

May 19, 2014

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**FRANKLIN TOWNSHIP  
JACKSON COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2012 and 2011**

**TABLE OF CONTENTS**

<b><u>Title</u></b>	<b><u>Page</u></b>
Report of Independent Accountants	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2012	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2011	4
Notes to the Financial Statements	5-12
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13-14
Schedule of Findings	15-17
Schedule of Prior Audit Findings	18

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

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REPORT OF INDEPENDENT ACCOUNTANTS

Franklin Township  
Jackson County  
2814 Bert Harrold Rd.  
Jackson, Ohio 45640-9007

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Franklin Township, Jackson County, (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 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 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 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, 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 7 to the financial statements, in 2011, the Township adopted 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 April 15, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***

April 15, 2014

FRANKLIN TOWNSHIP  
 JACKSON COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN FUND CASH BALANCES -  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Permanent</b>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 92,410	\$ 34,561	-	\$ 126,971
Intergovernmental	94,145	229,471	-	323,616
Interest	518	57	\$ 13	588
Miscellaneous	1,150	35	-	1,185
<b>Total Receipts</b>	<b>188,223</b>	<b>264,124</b>	<b>13</b>	<b>452,360</b>
<b>Disbursements:</b>				
Current:				
General Government	184,318	-	-	184,318
Public Safety	-	30,477	-	30,477
Public Works	24,923	144,280	-	169,203
Public Health	16,105	-	-	16,105
Capital Outlay	50,064	163,944	-	214,008
<b>Total Disbursements</b>	<b>275,410</b>	<b>338,701</b>	<b>-</b>	<b>614,111</b>
Total Receipts Over(Under) Disbursements	(87,187)	(74,577)	13	(161,751)
Fund Balance 1/1/2012	195,107	230,090	6,263	431,460
Fund Cash Balance:				
Nonspendable	-	-	5,000	5,000
Restricted	-	155,513	1,276	156,789
Unassigned	107,920	-	-	107,920
<b>Fund Cash Balance 12/31/2012</b>	<b>\$ 107,920</b>	<b>\$ 155,513</b>	<b>\$ 6,276</b>	<b>\$ 269,709</b>

See accompanying Notes to the Financial Statements.



FRANKLIN TOWNSHIP  
 JACKSON COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN FUND CASH BALANCES -  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Permanent</b>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 94,626	\$ 36,411	-	\$ 131,037
Intergovernmental	123,798	191,191	-	314,989
Interest	217	685	\$ 18	920
Miscellaneous	3,890	-	-	3,890
<b>Total Receipts</b>	<b>222,531</b>	<b>228,287</b>	<b>18</b>	<b>450,836</b>
<b>Disbursements:</b>				
Current:				
General Government	154,081	-	-	154,081
Public Safety	-	34,661	-	34,661
Public Works	15,624	166,166	-	181,790
Public Health	16,030	-	-	16,030
Capital Outlay	9,136	1,492	-	10,628
<b>Total Disbursements</b>	<b>194,871</b>	<b>202,319</b>	<b>-</b>	<b>397,190</b>
<b>Total Receipts Over(Under) Disbursements</b>	<b>27,660</b>	<b>25,968</b>	<b>18</b>	<b>53,646</b>
<b>Fund Cash Balance 1/1/2011</b>	<b>167,447</b>	<b>204,122</b>	<b>6,245</b>	<b>377,814</b>
<b>Fund Cash Balance:</b>				
Nonspendable	-	-	5,000	5,000
Restricted	-	230,090	1,263	231,353
Unassigned	195,107	-	-	195,107
<b>Fund Cash Balance 12/31/2011</b>	<b>\$ 195,107</b>	<b>\$ 230,090</b>	<b>\$ 6,263</b>	<b>\$ 431,460</b>

See accompanying Notes to the Financial Statements.

**FRANKLIN TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Franklin Township, Jackson County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**FRANKLIN TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township has the following significant Special Revenue funds:

- *Gasoline Tax Fund* – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- *Permissive Sales Tax Fund* – This fund receives monies from permissive sales tax proceeds for permanent improvement projects within the Township.
- *Fire Fund* – This fund receives property tax proceeds to pay for the fire protection for the Township.

Permanent Fund: This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support Township programs. The Township had the following Permanent Fund:

- *Cemetery Bequest Fund* – This fund receives interest revenue earned on bequest monies to be used for the maintenance of the Township cemetery.

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

**FRANKLIN TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) 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.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

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.

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. Committed- Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Board amends 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.

4. Assigned- Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restrict 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.

**FRANKLIN TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. FUND BALANCE - (Continued)

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

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2012</u>	<u>2011</u>
Demand Deposits	\$ 219,050	\$ 381,213
Certificates of Deposit	<u>50,659</u>	<u>50,247</u>
Total	<u>\$ 269,709</u>	<u>\$ 431,460</u>

**FRANKLIN TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution’s public entity deposit pool.

3. PROPERTY TAXES

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

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

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

4. BUDGETARY ACTIVITY

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

2012 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$138,881	\$188,223	\$49,342
Special Revenue	226,473	264,124	37,651
Permanent	-0-	13	13

2012 Budgeted vs Actual Budgetary Basis Disbursements

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 283,240	\$ 275,410	\$ 7,830
Special Revenue	408,281	338,701	69,580
Permanent	-0-	-0-	-0-

**FRANKLIN TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

4. BUDGETARY ACTIVITY – (Continued)

2011 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 138,881	\$ 222,531	\$ 83,650
Special Revenue	226,422	228,287	1,865
Permanent	-0-	18	18

2011 Budgeted vs Actual Budgetary Basis Disbursements

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 283,240	\$ 194,871	\$ 88,369
Special Revenue	409,278	202,319	206,959
Permanent	-0-	-0-	-0-

5. RETIREMENT SYSTEM

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2012 and 2011, members of OPERS contributed 10 percent of their wages. The Township contributes an amount equal to 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

6. 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.

**FRANKLIN TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

6. RISK MANAGEMENT – (Continued)

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 \$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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Assets	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$ 3,000.



**FRANKLIN TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

6. RISK MANAGEMENT – (Continued)

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>2012</u>	<u>2011</u>
\$ 5,760	\$ 5,694

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.

7. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in the reclassification of certain funds or the restatement of the Township’s financial statements.

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. BUDGETARY NONCOMPLIANCE

The Township had the following citation for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.39**, the Township had appropriations in excess of estimated resources.

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

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

Franklin Township  
Jackson County  
2814 Bert Harrold Rd.  
Jackson, Ohio 45640-9007

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, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated April 15, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Township implemented Governmental Accounting Standards Board (GASB) 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 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 preceding paragraph 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. 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 2012-003 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 several instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2012-001 and 002.


We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 15, 2014.

***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.



***Charles E. Harris & Associates, Inc.***  
April 15, 2014

**FRANKLIN TOWNSHIP  
JACKSON 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  
Noncompliance Citation**

**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 estimate.

We noted the following funds had appropriations that exceeded estimated resources at year end December 31, 2012:

Fund	Estimated Resources	Approved Appropriations	Variance
Special Revenue Funds:			
Gasoline Tax	\$ 113,092	\$ 166,000	\$ (52,908)
Permissive Sales Tax	116,782	126,317	(9,535)

We noted the following fund had appropriations that exceeded estimated resources at year end December 31, 2011:

Fund	Estimated Resources	Approved Appropriations	Variance
Special Revenue Fund:			
Gasoline Tax	\$ 161,649	\$ 166,000	\$ (4,351)

We recommend the Fiscal Officer review estimated resources and appropriations to ensure that the appropriations do not exceed the estimated resources.

**Township Response:**

Client declined to respond to this finding.

**FRANKLIN TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b>
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**FINDING NUMBER 2012-002  
Noncompliance Citation**

**Ohio Rev. Code § 5575.01** provides in part that in the maintenance and repair of roads, the board of township trustees may proceed either by contract or force account. Except as otherwise provided in sections 505.08 and 505.101 of the Revised Code, when the board proceeds by contract, the contract shall, if the amount involved exceeds forty-five thousand dollars, be let by the board to the lowest responsible bidder after advertisement for bids once, not later than two weeks, prior to the date fixed for the letting of the contract, in a newspaper of general circulation within the township. Per **Ohio Rev. Code § 5575.02**, after the board of township trustees has decided to proceed with a road improvement, it shall advertise for bids once, not later than two weeks prior to the date fixed for the letting of contracts, in a newspaper of general circulation within the township. Such notice shall state that copies of the surveys, plans, profiles, cross, estimates, and specifications for such improvement are on file with board, and the time within which bids will be received. The board may let the work as a whole or in convenient sections, as it determines. The contract shall be awarded to the lowest and best bidder who meets the requirements of section 153.54 of the Revised Code, and shall be let upon the basis of lump sum bids, unless the board orders that it be let upon the basis of unit price bids, in which event it shall be let upon such basis.

We noted Township Trustees approved chip & seal project for several township roads. The total cost of the project was \$189,000, which exceeded the threshold requiring competitive bids. The Township contracted with one vendor to complete this project. There is no evidence that the Township Trustees followed **ORC § 5575.02** and advertised this project in a local newspaper and received competitive bids.

We recommend that the Township Trustees follow **ORC § 5575.02** which requires the Township to receive competitive bids whenever the estimated total cost of road repair contracts will exceed \$45,000.

**Township Response:**

Client declined to respond to this finding.

**FRANKLIN TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2012 AND 2011**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2012-003**

**Material Weakness - Budgetary Entries in Manual System**

The budgetary entries in the appropriation and receipts ledgers did not reconcile with the amended certificates of estimated resources or approved appropriation resolutions passed by the Board of Trustees. Therefore, the Board cannot properly monitor Township expenditures and receipts and management cannot adequately monitor budgetary regulations.

We recommend that the Fiscal Officer post all budgetary information to the appropriation and receipts ledgers on a regular basis. This will enhance the Township's ability to monitor all budgetary receipts and expenditures in comparison to actual receipts and expenditures.

**Management's Response:**

Client declined to respond to this finding.

FRANKLIN TOWNSHIP  
 JACKSON COUNTY  
 DECEMBER 31, 2012 AND 2011

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-001	Contrary to Ohio Rev. Code Section 5705.41(D), Township did not certify the availability of funds before contracting to procure goods and services.	Yes	

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# 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  
MAY 29, 2014**