



Dave Yost • Auditor of State



FRANKLIN TOWNSHIP  
MONROE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Franklin Township  
Monroe County  
32668 Hartshorn Ridge Road  
Lewisville, Ohio 43754

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Franklin Township, Monroe County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit 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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these 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, 2013 and 2012, 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, Monroe County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 31, 2014

**FRANKLIN TOWNSHIP  
MONROE COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes		\$18,473		\$18,473
Intergovernmental	\$8,357	98,579		106,936
Earnings on Investments	60	61		121
Miscellaneous	17,239	105		17,344
<i>Total Cash Receipts</i>	<u>25,656</u>	<u>117,218</u>	<u>\$0</u>	<u>142,874</u>
<b>Cash Disbursements</b>				
Current:				
General Government	23,564			23,564
Public Safety	1,771			1,771
Public Works		86,904		86,904
Health	8,676			8,676
<i>Total Cash Disbursements</i>	<u>34,011</u>	<u>86,904</u>	<u>0</u>	<u>120,915</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(8,355)</u>	<u>30,314</u>	<u>0</u>	<u>21,959</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	464	2,783		3,247
Transfers Out		(3,247)		(3,247)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>464</u>	<u>(464)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(7,891)</u>	<u>29,850</u>	<u>0</u>	<u>21,959</u>
<i>Fund Cash Balances, January 1</i>	<u>42,018</u>	<u>51,615</u>	<u>3,000</u>	<u>96,633</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			3,000	3,000
Restricted		75,316		75,316
Committed		6,149		6,149
Unassigned (Deficit)	34,127			34,127
<i>Fund Cash Balances, December 31</i>	<u>\$34,127</u>	<u>\$81,465</u>	<u>\$3,000</u>	<u>\$118,592</u>

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

**FRANKLIN TOWNSHIP  
MONROE 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	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes		\$14,868		\$14,868
Intergovernmental	\$9,142	91,107		100,249
Earnings on Investments	106	51		157
Miscellaneous	3,783			3,783
<i>Total Cash Receipts</i>	<u>13,031</u>	<u>106,026</u>	<u>\$0</u>	<u>119,057</u>
<b>Cash Disbursements</b>				
Current:				
General Government	28,822			28,822
Public Safety	1,740			1,740
Public Works		89,058		89,058
Health	7,503			7,503
Capital Outlay		12,500		12,500
<i>Total Cash Disbursements</i>	<u>38,065</u>	<u>101,558</u>	<u>0</u>	<u>139,623</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(25,034)</u>	<u>4,468</u>	<u>0</u>	<u>(20,566)</u>
<i>Fund Cash Balances, January 1</i>	<u>67,052</u>	<u>47,147</u>	<u>3,000</u>	<u>117,199</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			3,000	3,000
Restricted		46,537		46,537
Committed		5,078		5,078
Unassigned	42,018			42,018
<i>Fund Cash Balances, December 31</i>	<u>\$42,018</u>	<u>\$51,615</u>	<u>\$3,000</u>	<u>\$96,633</u>

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



**FRANKLIN TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 Franklin Township, Monroe County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Lewisville & Community Volunteer Fire Department and the Bethel Township Volunteer Fire Department to provide fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. Note 6 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis 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. Fund Accounting**

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

**FRANKLIN TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**3. Permanent Funds**

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

Cemetery Endowment Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated 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 canceled, and reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**E. 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.

**FRANKLIN TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Balance (Continued)**

**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.

**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.

**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.

**F. 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.

**2. Equity in Pooled Deposits**

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

**FRANKLIN TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. Equity in Pooled Deposits (Continued)**

	2013	2012
Demand deposits	\$115,592	\$93,633
Certificate of Deposit	3,000	3,000
Total deposits	\$118,592	\$96,633

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012, follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,246	\$26,120	(\$15,126)
Special Revenue	87,380	120,001	32,621
Total	\$128,626	\$146,121	\$17,495

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$76,487	\$34,011	\$42,476
Special Revenue	146,728	90,151	56,577
Total	\$223,215	\$124,162	\$99,053

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,085	\$13,031	(\$54)
Special Revenue	115,001	106,026	(8,975)
Total	\$128,086	\$119,057	(\$9,029)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,337	\$38,065	\$41,272
Special Revenue	159,365	101,558	57,807
Total	\$238,702	\$139,623	\$99,079

**FRANKLIN TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**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.

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.

**5. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

**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. 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, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**FRANKLIN TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Risk Management (Continued)**

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$4,431	\$4,427

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

**FRANKLIN TOWNSHIP  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Contingent Liabilities**

**A. Grants**

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

**B. Oil/Gas Lease**

The Township entered into a "Paid-Up" Oil and Gas Lease. The lease is for 3.009 acres of property owned by the Township and is effective September 30, 2013, for a five year period with Hall & Ross Resources. The lease calls for payments to the Township, in addition to the bonus, of royalties in the amount of 18.75 percent of the net proceeds for all oil, gas, and/or hydrocarbons produced and saved from the land. As of the date of the financial statements, the value of any potential royalties cannot be determined.

**8. Subsequent Events**

The Board of Trustees adopted a resolution on April 2, 2014 to purchase a 2006 Hitachi Excavator from Baker & Sons Equipment for \$24,000 and to be financed through Peoples Savings Bank.

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# 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  
Monroe County  
32668 Hartshorn Ridge Road  
Lewisville, Ohio 43754

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, Monroe County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 31, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***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 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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-004 described in the accompanying Schedule of Findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 and 2013-002.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 31, 2014

**FRANKLIN TOWNSHIP  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-001**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 505.24, states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

For both 2013 and 2012, the Township Trustees did not document the time charged to other funds on timesheets or payroll certifications, other than the Trustees did pass a motion in the minutes as to the allocation of Trustee salaries to funds by a certain percentage.

Also, the Township should record all employees' fringe benefits and health insurance premium reimbursements to the funds or budgets from which the officers or employees are compensated for services each year. Since the Trustees were paid out of funds other than the General Fund, a portion of the fringe benefits should have been charged to the General Fund as well.

For 2013, \$4,074 in Township Trustee salaries and benefits should have been charged to the General Fund; however, this amount was charged to the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and the Road and Bridge Fund in the amount of \$342, \$3,390, and \$342, respectively.

For 2012, \$3,951 in Township Trustee salaries and benefits should have been charged to the General Fund; however, this amount was charged to the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and the Road and Bridge Fund in the amount of \$333, \$3,292, and \$326, respectively.

These adjustments, with which management agrees, have been posted to the accompanying financial statements and posted to the accounting records.

We recommend Township officials review Auditor of State Bulletin 2011-007 and establish procedures regarding documenting the time spent by the Board of Trustees on various duties that could be charged to funds other than the General Fund by utilizing payroll certifications as outlined in the aforementioned audit bulletin.

Beginning in 2014, the Township implemented the use of payroll certification sheets.

**FRANKLIN TOWNSHIP  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-002**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

In 2013, the Township recorded the second-half real estate property tax deduction for the General Health District expense in the amount of \$4,338 to the Road & Bridge Fund instead of the General Fund as required.

The Fiscal Officer posted this adjustment to the Township accounting records and, therefore, this adjustment is reflected in the accompanying financial statements.

We recommend the Fiscal Officer appropriately record and classify the deduction from the real estate property tax settlement for the General Health District as a General Fund expenditure.

**FINDING NUMBER 2013-003**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised March 2014) provides suggested account classifications. These accounts classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records 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.

In 2012, the Township posted the purchase of a tractor in the amount of \$12,500 to the Gasoline Tax Fund, Public Works expenditure line item account instead of Capital Outlay.

This adjustment, with which management agrees, has been posted to the accompanying financial statements.

We recommend the Township utilize available authoritative resources to appropriately classify expenditure transactions.

**FRANKLIN TOWNSHIP  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-004**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised March 2014) provides suggested fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

The Township did not properly reflect its December 31, 2013 and 2012 fund cash balances in accordance with Governmental Accounting Standards Board (GASB) Statement Number 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

Adjustments, with which management agrees, are reflected in the accompanying financial statements to accurately classify fund cash balances at December 31, 2013 and 2012 in accordance with GASB Statement Number 54.

We recommend the Township develop internal control procedures to ensure the financial statements accurately reflect the fund cash balances in accordance with GASB Statement No. 54 reporting requirements. The Township Fiscal Officer may refer to Auditor of State Bulletin 2011-004 for additional guidance.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

**FRANKLIN TOWNSHIP  
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Rev. Code § 117.38 – Amounts in the Annual Financial Report submitted to Auditor of State did not always agree to the Township’s accounting system.	No	Partially Corrected – Repeated in the Management Letter.



# Dave Yost • Auditor of State

**FRANKLIN TOWNSHIP**

**MONROE 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 14, 2014**