

**FRANKLIN TOWNSHIP
MONROE COUNTY**

AUDIT REPORT

JANUARY 1, 2014 - DECEMBER 31, 2015



Dave Yost • Auditor of State

Board of Trustees
Franklin Township
32668 Hartshorn Ridge Rd.
Lewisville, OH 43754

We have reviewed the *Independent Auditors' Report* of Franklin Township, Monroe County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2014 through December 31, 2015. 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

July 27, 2016

This page intentionally left blank.

**FRANKLIN TOWNSHIP
MONROE COUNTY
JANUARY 1, 2014 - DECEMBER 31, 2015**

TABLE OF CONTENTS

Table of Contents	(i)
Independent Auditors' Report	1-2
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2015	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2014	4
Notes to the Financial Statements	5-11
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	12
Schedule of Audit Findings	14
Schedule of Prior Audit Findings	16

This page intentionally left blank.

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

INDEPENDENT AUDITORS' REPORT

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

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type and related notes of the Franklin Township, Monroe County, as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility For the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 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(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Franklin Township, Monroe County as of December 31, 2015 and 2014, 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 as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2016, on our consideration of Franklin Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 26, 2016

**FRANKLIN TOWNSHIP
MONROE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 21,646	\$ 21,346	\$ -	\$ 42,992
Intergovernmental	18,038	98,986	-	117,024
Earnings on Investments	26	73	-	99
Miscellaneous	728	-	-	728
Total Cash Receipts	<u>40,438</u>	<u>120,405</u>	-	<u>160,843</u>
Cash Disbursements:				
Current:				
General Government	20,443	-	-	20,443
Public Safety	1,700	-	-	1,700
Public Works	-	128,770	-	128,770
Health	8,959	-	-	8,959
Debt Service				
Principal Retirement	-	5,284	-	5,284
Interest and Fiscal Charges	-	716	-	716
Total Cash Disbursements	<u>31,102</u>	<u>134,770</u>	-	<u>165,872</u>
Net Change in Fund cash Balance	9,336	(14,365)	-	(5,029)
Fund Cash Balances, January 1	<u>3,578</u>	<u>76,851</u>	<u>3,000</u>	<u>83,429</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	3,000	3,000
Restricted	-	62,486	-	62,486
Unassigned (Deficit)	12,914	-	-	12,914
Fund Cash Balances, December 31	<u>\$ 12,914</u>	<u>\$ 62,486</u>	<u>\$ 3,000</u>	<u>\$ 78,400</u>

See notes to financial statements.

**FRANKLIN TOWNSHIP
MONROE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ -	\$ 17,137	\$ -	\$ 17,137
Intergovernmental	8,283	106,620	-	114,903
Earnings on Investments	40	72	-	112
Miscellaneous	5,190	586	-	5,776
Total Cash Receipts	<u>13,513</u>	<u>124,415</u>	-	<u>137,928</u>
Cash Disbursements:				
Current:				
General Government	33,873	-	-	33,873
Public Safety	1,749	-	-	1,749
Public Works	-	124,529	-	124,529
Health	8,440	-	-	8,440
Capital Outlay	-	24,000	-	24,000
Debt Service				
Principal Retirement	-	3,826	-	3,826
Interest and Fiscal Charges	-	674	-	674
Total Cash Disbursements	<u>44,062</u>	<u>153,029</u>	-	<u>197,091</u>
Excess of Receipts Over/(Under) Disbursements	(30,549)	(28,614)	-	(59,163)
Other Financing Receipts				
Debt Proceeds	-	24,000	-	24,000
Total Other Financing Receipts	<u>-</u>	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Net Change in Fund Cash Balance	(30,549)	(4,614)	-	(35,163)
Fund Cash Balances, January 1	<u>34,127</u>	<u>81,465</u>	<u>3,000</u>	<u>118,592</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	3,000	3,000
Restricted	-	76,851	-	76,851
Unassigned (Deficit)	3,578	-	-	3,578
Fund Cash Balances, December 31	<u>\$ 3,578</u>	<u>\$ 76,851</u>	<u>\$ 3,000</u>	<u>\$ 83,429</u>

See notes to financial statements.

**FRANKLIN TOWNSHIP
MONROE COUNTY**

NOTES TO FINANCIAL STATEMENTS

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 publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance and cemetery maintenance. The Township contracts with the Bethel Township Fire Department and Lewisville and Community Fire Department and the Monroe County Emergency Management Agency to provide fire and emergency services.

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

Public Entity Risk Pool:

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

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

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.

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:

**FRANKLIN TOWNSHIP
MONROE COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

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

Special Revenue Funds

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

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

Road and Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads.

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 of its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from trust agreements. These earnings are used for general maintenance and upkeep of the township cemeteries.

E. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**FRANKLIN TOWNSHIP
MONROE COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

**FRANKLIN TOWNSHIP
MONROE COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 CASH AND INVESTMENTS

The Township maintains a deposit and investment 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:

	2015	2014
Demand deposits	\$ 75,400	\$ 80,429
Certificate of deposit	3,000	3,000
	\$ 78,400	\$ 83,429

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 33,921	\$ 40,438	\$ 6,517
Special Revenue	182,126	120,405	(61,721)
Total	\$ 216,047	\$ 160,843	\$ (55,204)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 33,362	\$ 31,102	\$ 2,260
Special Revenue	182,126	134,770	47,356
Total	\$ 215,488	\$ 165,872	\$ 49,616

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 99,116	\$ 13,513	\$ (85,603)
Special Revenue	160,536	148,415	(12,121)
Total	\$ 259,652	\$ 161,928	\$ (97,724)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 95,416	\$ 44,062	\$ 51,354
Special Revenue	160,536	153,029	7,507
Total	\$ 255,952	\$ 197,091	\$ 58,861

**FRANKLIN TOWNSHIP
MONROE COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Revised Code Section 5705.41 (D), the Township had made expenditures prior to certification.

Contrary to Ohio Revised Code Section 5705.41 (B), the Township had made expenditures greater than appropriations in the Motor Vehicle License Tax Fund in 2014.

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10.00% of their gross wages and the Township contributed an amount equal to 14.00% of participant's gross salaries. The Township has paid all contributions required through December 31, 2015.

6. DEBT

Debt outstanding at December 31, 2015, was as follows:

	Principal	Interest Rate
2006 Hitachi Excavator	\$ 14,890	4.00%

In March 2014, the Township issued a loan with Peoples Savings Bank in the amount of \$24,000 for the purpose of acquiring a 2006 Hitachi Excavator. The loan will be re-paid monthly over 5 years with an interest rate of 4.00%.

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

Year Ending December 31:	Equipment Bonds
2016	\$ 4,896
2017	4,896
2018	4,896
2019	1,223
2020	-
2021-2025	-
Total	\$ 15,911

**FRANKLIN TOWNSHIP
MONROE COUNTY**

NOTES TO FINANCIAL STATEMENTS

7. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) 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, 2015, 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, 2015 and 2014 (the latest information available):

	2015	2014
Assets	\$37,313,311	\$35,970,263
Liabilities	(8,418,518)	(8,912,432)
Retained Earnings	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township’s share of these unpaid claims collectible in future years is approximately \$2,164.

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

Contributions to OTARMA

2015	\$4,083
2014	3,942
2013	4,431

**FRANKLIN TOWNSHIP
MONROE COUNTY**

NOTES TO FINANCIAL STATEMENTS

7. RISK MANAGEMENT (Continued)

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

8. CONTINGENT LIABILITIES

As of March 4, 2016, a Complaint for Declaratory Judgment was filed in the Court of Common Pleas of Monroe County, Ohio, Case No. CVH-2016-072, naming Franklin Township as a Defendant. The allegations are that Franklin Township improperly vacated the position of Trustee held by Michael Bryan McConnell because Mr. McConnell failed to reside within Franklin Township. Thereafter, the remaining Franklin Township Trustees appointed Jeffrey T. Robinson as Mr. McConnell's replacement. Mr. McConnell is seeking reinstatement as trustee.

The matter is currently pending. Franklin Township intends to vigorously contest. The Court has issued a scheduling order and the matter is set for a non-oral hearing on September 2, 2016. While Management believes Franklin Township has an above average chance of successfully defeating Mr. McConnell's claims, even an unfavorable outcome would likely be limited to monetary damages of \$15,000 or less, depending on how long the case pends prior to final resolution.

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

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

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

To the Township 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 as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 26, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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 2015-001 and 2015-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters we must report under *Government Auditing Standards*; which is described as Finding 2015-003.

Entity's Response to Finding

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 26, 2016

**FRANKLIN TOWNSHIP
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness/Noncompliance – Certification of Funds

Ohio Revised Code Section 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 2014, \$8,490 in Township Trustee and Fiscal Officer salaries 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 \$2,653, \$3,184, and \$2,653, 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 and Fiscal Officer 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.

Client Response: We have not received a response from the client.

FINDING 2015-002

Material Weakness/Noncompliance – Financial Reporting

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public 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 2014, the Township posted the purchase of a 2006 Hitachi Excavator in the amount of \$24,000 to the Gasoline Tax Fund, Public Works expenditure line item account instead of Capital Outlay line item account. Also, the payment on the debt was posted to Gasoline Tax Fund, Public Works expenditure line item instead of Debt Service, Principal Retirement in the amount of \$3,826 and Interest and Fiscal Charges line item account in the amount of \$674.

**FRANKLIN TOWNSHIP
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING 2015-002 (Continued)

In 2015, the Township posted the payment on the debt to the Gasoline Tax Fund, Public Works expenditure line item account instead of to the Debt Service, Principal Retirement in the amount of \$5,284 and Interest and Fiscal Charges line item account in the amount of \$716.

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

We recommend the Township record future capital purchases in the Capital Outlay line item account and that the debt payments are posted to the Debt Service, Principal Retirement and Interest and Fiscal Charges line item account.

Client Response: We have not received a response from the client.

FINDING 2015-003

Noncompliance

Ohio Revised Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities, Section 133.10 allows anticipation securities in anticipation of current property tax revenues, Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2014, the Township signed a promissory note with a local bank to purchase a 2006 Hitachi Excavator in the amount of \$24,000. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships.

We recommend the Township contact their legal counsel before incurring any future debt.

Client Response: We have not received a response from the client.

**FRANKLIN TOWNSHIP
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2015**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Material Weakness. Incorrectly posted payroll to Motor Vehicle License Fund, Gasoline Tax Fund, and the Road and Bridge Fund which should have been posted to General Fund.	No	Partially Corrected: Reported as Finding 2015-001
2013-002	Noncompliance with ORC 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.	Yes	Finding No Longer Valid
2013-003	Material Weakness. Incorrectly posted capital purchase as Gasoline Tax Fund, Public Works expenditure line item.	No	Not Corrected: Reported as Finding 2015-002
2013-004	Material weakness Fund balance classifications relate to constraints place on use	Yes	Finding No Longer Valid



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 9, 2016**