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# *ALGER & ASSOCIATES, Inc.*

*Certified Public Accountants*

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FRANKLIN TOWNSHIP

RICHLAND COUNTY

**REGULAR AUDIT**  
*A&A*

FOR THE YEARS ENDED

DECEMBER 31, 2012 - 2011





# Dave Yost • Auditor of State

Board of Trustees  
Franklin Township  
2451 Kline Road  
Mansfield, OH 44903

We have reviewed the *Independent Auditor’s Report* of the Franklin Township, Richland County, prepared by Alger & 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## 1. Public Money Illegally Expended – Finding for Recovery

**Ohio Rev. Code § 505.24** provides that township trustee salary is based on the annual budget of the Township. For the first three months of the year ended December 31, 2012, the Township’s budget was between \$750,001 and \$1,500,000, with an allowable daily rate of \$51.44 per day for 200 days. For the final nine months of the year ended December 31, 2012, the Township’s budget was between \$500,001 and \$750,000, with an allowable daily rate of \$45.02 per day for 200 days.

Budget	Daily Rate	Number of Days	Annual Gross Pay	Monthly Gross Pay	Number of Months	Prorated Gross Pay
\$750,001 to \$1,500,000	\$51.44	200	\$10,288	\$857.33	3	\$2,572
\$500,001 to \$750,000	\$45.02	200	9,004	750.33	9	6,753
<b>Total Allowable Gross Pay</b>						<b>\$9,325</b>

For the year ended December 31, 2011, the Township’s budget was between \$750,001 and \$1,500,000. Based on **Ohio Rev. Code § 505.24**, the allowable salary for the year ended December 31, 2011 was \$51.44 per day for 200 days or \$10,288 annually.

In fiscal years 2012 and 2011, trustee Jeffrey Lee Kuhn’s compensation exceeded the limits set forth in **Ohio Rev. Code § 505.24** as follows:

Year	Payment Source	Paid	Authorized	Overage
2011	Check Register	11,317	10,288	1,029

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Jeffrey Lee Kuhn, Trustee, and his bonding company, Ohio Plan Risk Management, Inc., jointly and severally, in the amount of \$1,029 and in favor of Franklin Township’s General Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

The former Township Fiscal Officer stamped the warrants resulting in improper payments. Fiscal Officer Cynthia Carroll, and her bonding company Selective Insurance Company of America, will be jointly and severally liable in the amounts as presented below and in favor of the General Fund.

<b>Individual</b>	<b>Jointly and Severally Portion of Total Finding</b>
Cynthia Carroll	\$1,029
Ohio Plan Risk Management, Inc.	1,029
Selective Insurance Company	1,029

## **2. Public Money Illegally Expended – Finding for Recovery**

During the Board of Trustees meeting dated November 1, 2011, the Board of Trustees approved the appointment of Patricia Durbin as the Assistant to the Fiscal Officer at a rate of \$11.00 per hour. However, Patricia Durbin was paid \$12.00 per hour from November 2, 2011 through November 19, 2012

	<u>Gross Pay</u>
Allowable Gross Pay	\$1,925
Actual Gross Pay	2,148
<b>Overpayment</b>	<b>\$223</b>

During the Board of Trustees meeting dated January 1, 2011, the Board of Trustees set the hourly rate for labor employees at \$10.00 per hour. However, for one labor employee, Christopher Pugh, the hourly rate paid was \$16.00 per hour from June 6, 2011 through December 28, 2012.

<b>Gross Pay</b>	
Allowable Gross Pay	\$27,504
Actual Gross Pay	43,001
<b>Overpayment</b>	<b>\$15,497</b>

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a finding for recovery for public money illegally expended is hereby issued against Patricia Durbin and her bonding company, Selective Insurance Company of America, jointly and severally, in the amount of \$223, and in favor of Franklin Township's General Fund for \$86 and the Ambulance & Emergency Fund for \$137.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a finding for recovery for public money illegally expended is hereby issued against Christopher Pugh in the amount of \$15,497 and in favor of Franklin Township's Gasoline Tax Fund for \$7,673, Road & Bridge Fund for \$4,819, and the Motor Vehicle License Tax Fund for \$3,005.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

For the period January 1, 2011 through March 31, 2012, the former Fiscal Officer was bonded through Selective Insurance Company of America. The former Fiscal Officer stamped the warrants resulting in improper payments. As a result of improper payments that occurred during the period, former Fiscal Officer Cynthia Carroll, and her bonding company Selective Insurance Company of America, respectively, will be jointly and severally liable in the amount of \$9,763 and in favor of the General Fund for \$30, Ambulance & Emergency Fund for \$47, Gasoline Tax Fund for \$4,796, Road & Bridge Fund for \$3,012, and Motor Vehicle License Tax Fund for \$1,878.

For the period April 1, 2012 through December 31, 2012, the former Fiscal Officer was bonded through Travelers Casualty and Surety Company of America. The former Fiscal Officer stamped the warrants resulting in improper payments. As a result of improper payments that occurred during the period, former Fiscal Officer Cynthia Carroll, and her bonding company Travelers Casualty and Surety Company of America, respectively, will be jointly and severally liable in the amount of \$5,957 and in favor of the General Fund for \$56, Ambulance & Emergency Fund for \$90, Gasoline Tax Fund for \$2,877, Road & Bridge Fund for \$1,807, and Motor Vehicle License Tax Fund for \$1,127.

### **3. Finding for Recovery – Cash Receipts**

**Ohio Rev. Code Section 9.39** provides that all public officials are liable for all public money received or collected by them or by their subordinates under color of office. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

Former Township Trustee Kenneth Levering repaid a prior year Finding for Recovery that was issued in the 2010-2009 audit of the Township in the amount of \$5,143 to the former Fiscal Officer Cynthia Carroll on October 8, 2012. However, there was no evidence of deposit of this revenue with the Township’s financial institution and no evidence the receipt was recorded in the Township’s accounting system.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against former Fiscal Officer Cynthia Carroll and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$5,143 and in favor of the Franklin Township General Fund in the amount of \$5,143.

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. The Franklin Township is responsible for compliance with these laws and regulations.



Dave Yost  
Auditor of State

October 21, 2014

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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# **ALGER & ASSOCIATES, Inc.**

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

Franklin Township  
Richland County  
2451 Kline Road  
Mansfield, OH 44903

To the Board of Trustees:

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

We were engaged to audit the accompanying financial statements and related notes of Franklin Township, Richland County, Ohio (the Township) as of and for the years ended December 31, 2012 and 2011.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions 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 conducting an audit 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. Because of the matter described in the "Basis for Disclaimer of Opinion on Regulatory Basis of Accounting" paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Township's financial statements.

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

As described in Note 1B 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 of America, to satisfy requirements.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Basis for Disclaimer of Opinion on Regulatory Basis of Accounting***

We were unable to obtain sufficient evidential matter supporting the amounts recorded as disbursements, and budgetary activity reported in the Notes to the Financial Statements for the years ended December 31, 2012 and 2011 and the classification of governmental fund balances for the years ended December 31, 2011 and 2012. Consequently, we were unable to obtain sufficient appropriate audit evidence to form an opinion over these amounts.

***Disclaimer of Opinion on Regulatory Basis of Accounting***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on Regulatory Basis of Accounting paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

***Emphasis of Matter***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 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.

Alger &  
Associates, Inc.  Digitally signed by Alger & Associates, Inc.  
DN: cn=Alger & Associates, Inc., o=Alger &  
Associates, Inc., ou,  
email=galger53@att.net, c=US  
Date: 2014.07.31 09:04:56 -0400  
Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, OH  
June 5, 2014

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$20,586	\$116,232	\$136,818
Charges for Services	92	106,983	107,075
Licenses, Permits and Fees	175	-	175
Rent	1,116	-	1,116
Intergovernmental	54,733	155,815	210,548
Insurance Claims	53,659	-	53,659
Earnings on Investments	362	-	362
Miscellaneous	12,679	160	12,839
	<u>143,402</u>	<u>379,190</u>	<u>522,592</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	248,265	6,585	254,850
Public Safety	429	117,714	118,143
Public Works	2,505	110,550	113,055
Health	1,063	-	1,063
Zoning	1,142	-	1,142
Capital Outlay	-	132,586	132,586
Debt Service:			
Principal Retirement	-	77,332	77,332
Interest and Fiscal Charges	-	11,049	11,049
	<u>253,404</u>	<u>455,816</u>	<u>709,220</u>
Total Receipts Under Disbursements	<u>(110,002)</u>	<u>(76,626)</u>	<u>(186,628)</u>
<b>Other Financing Receipts:</b>			
Other Financing Sources - Contributions	782	603	1,385
Net Change in Fund Cash Balances	<u>(109,220)</u>	<u>(76,023)</u>	<u>(185,243)</u>
Fund Cash Balance, January 1	<u>(59,690)</u>	<u>270,587</u>	<u>210,897</u>
<b>Fund Cash Balance, December 31</b>			
Nonspendable	-	-	-
Restricted	-	303,145	303,145
Unassigned	(168,910)	(108,581)	(277,491)
<i>Fund Cash Balance, December 31</i>	<u><u>(\$168,910)</u></u>	<u><u>194,564</u></u>	<u><u>\$25,654</u></u>

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

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FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$23,427	\$135,753	\$159,180
Charges for Services	110	78,801	78,911
Licenses, Permits and Fees	218	-	218
Intergovernmental	47,064	147,201	194,265
Earnings on Investments	406	-	406
Miscellaneous	61,829	9,918	71,747
<b>Total Cash Receipts</b>	<b>133,054</b>	<b>371,673</b>	<b>504,727</b>
<b>Cash Disbursements:</b>			
Current:			
General Government	215,799	1,342	217,141
Public Safety	390	198,453	198,843
Public Works	-	156,845	156,845
Health	1,441	38	1,479
Other	5,888	32,052	37,940
Capital Outlay	5,805	-	5,805
Debt Service:			-
Principal Retirement	-	82,332	82,332
Interest and Fiscal Charges	-	10,924	10,924
<b>Total Cash Disbursements</b>	<b>229,323</b>	<b>481,986</b>	<b>711,309</b>
<b>Total Receipts Under Disbursements</b>	<b>(96,269)</b>	<b>(110,313)</b>	<b>(206,582)</b>
<b>Other Financing Receipts:</b>			
Other Financing Sources - Contributions	80	1,875	1,955
<b>Net Change in Fund Cash Balances</b>	<b>(96,189)</b>	<b>(108,438)</b>	<b>(204,627)</b>
<b>Fund Cash Balance, January 1</b>	<b>36,499</b>	<b>379,025</b>	<b>415,524</b>
<b>Fund Cash Balance, December 31</b>			
Restricted	-	378,833	378,833
Unassigned	(59,690)	(108,246)	(167,936)
<b>Fund Cash Balance, December 31</b>	<b>(\$59,690)</b>	<b>\$270,587</b>	<b>\$210,897</b>

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

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**FRANKLIN TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 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 the Franklin Township, Richland 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, fire protection, and emergency medical services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

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

**1. General Fund**

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

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

**1. Summary of Significant Accounting Policies – (continued)**

**D. Fund Accounting - (continued)**

**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.

Fire Levy Fund – This fund's receipts are generated from a restricted Township tax levy and are only to be utilized to assist in providing fire protection for the residents of the Township.

Ambulance and Emergency Fund – This fund receives EMS payments from people and insurance companies requesting ambulance service from the Township.

**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 and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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



FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

1. **Summary of Significant Accounting Policies – (continued)**

E. **Budgetary Process – (continued)**

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 2011 and 2012 budgetary activity appears in Note 3.

F. **Fund Balance**

The Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. This change has no effect on the previously stated fund balances

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**

Council can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Council 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.

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

1. Summary of Significant Accounting Policies – (continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Council 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting, however, an accrued liabilities fund has been created to set aside resources from which employees who have accumulated unpaid leave are paid.

**FRANKLIN TOWNSHIP  
RICHLAND COUNTY**

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

**2. Equity in Pooled Deposits and Investments**

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

	2012	2011
Demand deposits	\$9,069	\$205,533
Sweep Account	16,585	5,364
Total	\$25,654	\$210,897

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

**3. Budgetary Activity**

Budgetary activity for the years ending 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,000	\$144,184	\$74,184
Special Revenue	308,000	379,793	71,793
Total	\$378,000	\$523,977	\$145,977

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$194,600	\$253,404	(\$58,804)
Special Revenue	726,000	455,816	270,184
Total	\$920,600	\$709,220	\$211,380

**FRANKLIN TOWNSHIP  
RICHLAND COUNTY**

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

**3. Budgetary Activity – (continued)**

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,000	\$133,134	\$3,134
Special Revenue	419,600	373,548	(46,052)
Total	\$549,600	\$506,682	(\$42,918)

  

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$184,300	\$229,323	(\$45,023)
Special Revenue	850,700	481,986	368,714
Total	\$1,035,000	\$711,309	\$323,691

A summary of 2011 and 2012 budgetary non-compliance issues appears in Note 9.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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.

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

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

**FRANKLIN TOWNSHIP  
RICHLAND COUNTY**

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

**5. Debt**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Backhoe	\$8,209	3.6%
Fire Truck	17,554	5.5%
Dump Truck	47,405	4.4%
Ambulance Squad	48,642	4.4%
Total	\$121,810	

The prior audit's ending debt balance was understated by \$3,031. The dump truck was understated by \$1,497 and the ambulance squad was understated by \$1,534.

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

	Backhoe Key Bank	Fire Truck Richland Bank	Dump Truck Farmers Bank	Ambulance Squad Farmers Bank
Year ending December 31:				
2013	\$8,357	\$18,123	\$22,317	\$22,853
2014	0	0	22,317	22,906
2015	0	0	5,085	5,306
Total Principal and Interest	8,357	18,123	49,719	51,065
Less: Interest	(148)	(569)	(2,314)	(2,423)
Total Principal	\$8,209	\$17,554	\$47,405	\$48,642

**6. Retirement Systems**

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

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

**FRANKLIN TOWNSHIP  
RICHLAND COUNTY**

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

**7. Risk Management**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Inland Marine; and
- Errors and omissions.

**8. Contingent Liabilities**

The Township is a party to legal proceedings. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

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.

**9. Compliance**

- The Township did not properly encumber all commitments required by Ohio Revised Code §5705.41(D) in 2011 and 2012.
- Contrary to Ohio Revised Code §5705.41(B), the Township had expenditures in excess of appropriations in 2011 and 2012.
- Contrary to the Ohio Revised Code §5705.39 the Township had appropriations in excess of estimated resources is several funds in 2011 and 2012.
- Contrary to Ohio Revised Code §5705.38(A), the Township did not certify its appropriations with the County Auditor within the prescribed timeline for 2011 and 2012.
- Contrary to the Ohio Revised Code §5705.36(A)(4), the Township had appropriations in excess of available resources, which are defined as actual receipts plus unencumbered fund balance.
- Contrary to Ohio Revised Code §5705.34, the Township had not pass an ordinance or resolution to accept the tax rates levied in 2011 and 2012.

**FRANKLIN TOWNSHIP  
RICHLAND COUNTY**

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

**9. Compliance – (continued)**

- Contrary to the Ohio Revised §5705.10, the Township had a negative cash balance in two funds for the years ended December 31, 2011 and December 31, 2012, contrary to Ohio Revised Code.
- The Township did not record the appropriations nor the estimated resources certified by County Auditor to the accounting system contrary to Ohio Admin Code §117-2-02(C)(1).
- The Township Zoning receipts were not being deposited on a timely basis for the audit period contrary to Ohio Revised Code §9.38.
- Contrary to Ohio Revised Code §149.351(A) destruction of records.
- Contrary to Ohio Revised Code §507.04(A) the former Fiscal Officer did not maintain accurate minute records not accurate and complete accounting records.
- Contrary to Internal Revenue Code Chapter 26 U.S.C. §3402 the Township did not maintain accurate payroll information on the 941 forms or did not submit the 941 forms.
- Contrary to Ohio Revised Code §5747.07 the Township could not demonstrate the proper amount of taxes were remitted to the State Tax Commissioner and the proper local income tax agencies.
- Contrary to Ohio Revised Code §145.03 the Township could not demonstrate the proper amount of member contribution and required employer contribution of Public Employees Retirement System were remitted.
- Contrary to Ohio Revised Code §117.38 the Township had not file a financial report for either fiscal year under audit.
- Contrary to Internal Revenue Code Chapter 26 U.S.C. §1.6041-1 through §1.6041-2 the Township did not issue any 1099 forms during the audit period.
- Contrary to Section 507.11 (B) Revised Code, states that no money belonging to a township may be paid out except upon an order signed personally by at least two Trustees and countersigned by the Clerk.

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# *ALGER & ASSOCIATES, Inc.*

*Certified Public Accountants*

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

Franklin Township  
Richland County  
2451 Kline Road  
Mansfield, OH 44903

To the Board of Trustees:

We were engaged to audit the financial statements of Franklin Township, Richland 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 June 5, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We did not opine on the regulatory basis financial statements because we were unable to obtain sufficient evidential matter to support the amounts reported as disbursements and budgetary activity reported in the Notes to the Financial Statements for the years ended December 31, 2012 and 2011 and the classification of governmental fund balances for the years ended December 31, 2012 and 2011. We also noted the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions in 2011*.

### *Internal Control Over Financial Reporting*

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

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

6927 Burgundy Ave. N.W.  
North Canton, OH 44720  
Phone (330) 353-5851  
Fax (330) 768-7578

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 2012-018 and 2012-019 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 is described in the accompanying schedule of findings 2012-001 through 2012-019.

### ***Entity's Response to Findings***

The Township's response to the findings 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.

Alger &  
Associates, Inc.

Digitally signed by Alger & Associates, Inc.  
DN: cn=Alger & Associates, Inc., o=Alger &  
Associates, Inc., ou, email=galger53@att.net,  
c=US  
Date: 2014.07.31 09:09:23 -04'00'

Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, OH  
June 5, 2014

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2012

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

NONCOMPLIANCE

FINDING NUMBER 2012-001

**Ohio Rev. Code §5705.41 (D)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation...has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money.

The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D) (1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made "then" at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing Township.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority

**FINDING NUMBER 2012-001 – (continued)**

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

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of the 90 expenditures tested we found 90 instances of non-compliance attributed to the Fiscal Officer not properly submitted to the Fiscal Officer for certification.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval and aid in the posting of the expenditures to the correct department.

To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Trustees ensure that departmental supervisors are not purchasing goods or services prior to the Fiscal Officer certifying that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend that the Township certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language as set forth in 5705.41(D) (1) to authorize disbursements.

Implementation of the recommendation may help the Township come into compliance with the Ohio Revised Code.

**FINDING NUMBER 2012-002**

**Ohio Revised Code §5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. As of December 31, 2012 and 2011, the following funds had expenditures in excess of appropriations:

2012	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
	General	\$194,600	\$253,404	\$(58,804)
	Gasoline Tax	110,000	135,633	(25,633)

2011	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
	General	\$184,300	\$229,323	\$(45,023)

This situation increases the likelihood that deficit spending could occur. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2012-003**

**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. The funds listed below had appropriations exceeding the total estimated resources.

2012	<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
	General	\$194,600	\$106,499	\$(88,101)
	Motor Vehicle License Tax	19,000	17,419	(1,581)
	Road & Bridge	86,000	35,429	(50,571)
	Fire Levy Fund	143,000	120,389	(22,611)
	Permissive Sales Tax	170,000	48,336	(121,664)

**FINDING NUMBER 2012-003 – (continued)**

Appropriations in excess of estimated resources could result in overspending, leading to negative fund balances. The Township should ensure appropriations and estimated resources are monitored, and that revisions are made as necessary, as well as accurately and timely submission of documentation to the County Auditor.

We recommend the Treasurer monitors appropriations throughout the year to ensure that they do not exceed the total estimated resources. No expenditures or commitments should be made until the County Auditor certifies that the appropriations from each fund do not exceed the official estimates.

**FINDING NUMBER 2012-004**

**Ohio Rev. Code §5705.38(A)** requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. This does not apply to school district appropriations.

The annual appropriation measure was authorized by the Trustees for calendar year 2012 on February 6, 2012 and for calendar year 2011 on January 31, 2011 however; the appropriations were not formally recorded in the 2012 or 2011 minutes. The annual appropriations measures should be adopted by January 1st of each year. A special meeting may be required for the passage to ensure annual appropriations are adopted by the Board of Trustees and reflected in the minutes on a timely basis.

**FINDING NUMBER 2012-005**

**Ohio Rev. Code §5705.36 (A)(4)** requires obtaining a reduced amended certificate in the amount of the deficiency will reduce available resources below the current level of appropriations. The Township had appropriations in excess of total available resources (which is beginning unencumbered balance plus actual receipts) in the following funds.

2012 <u>Fund</u>	<u>Appropriations</u>	<u>Actual Available Resources</u>	<u>Variance</u>
General	\$194,600	\$184,290	\$(110,106)
Road and Bridge Fund	86,000	37,489	(48,511)
Fire Levy Fund	143,000	110,083	(32,917)
Permissive Sales Tax	170,000	55,665	(114,335)

2011 <u>Fund</u>	<u>Appropriations</u>	<u>Actual Available Resources</u>	<u>Variance</u>
General	\$184,300	\$169,633	\$(14,667)
Road and Bridge Fund	\$70,000	\$63,985	\$(6,015)

We recommend the Township officials monitor the actual receipts, especially towards year-end, and compare to the estimated resources as certified by the County Budget Commission. Should it be determined that the actual receipts will fall below the estimated, a request should be made by the Fiscal Officer to reduce the certified resources and an appropriate reduction should be made to the fund appropriations by resolution of the Board of Township Trustees.

**FINDING NUMBER 2012-006**

**Ohio Rev. Code §5705.34**, requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1st (April 1 for school districts), unless a later date is approved by the tax commissioner.

The Township did not formally “Accepting the Amounts and Rates Tax Levies” for 2011 or 2012 nor request for an extension. No Extension letter was sought, therefore this was late.

**FINDING NUMBER 2012-007**

**Ohio Revised Code §5705.10** requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Township had a negative fund balance at December 31, 2011 and 2012.

<u>Fund</u>	<u>2011</u>	<u>2012</u>
General	\$(59,690)	\$(168,910)
Road & Bridge	\$ (2,966)	\$ (18,817)
Fire Levy	\$(105,280)	\$ (87,895)
Motor Vehicle Tax		\$ (1,869)

We recommend that expenditures and income be watched closer by the Fiscal Officer and Trustees to prevent the various funds from going into the negative.

**FINDING NUMBER 2012-008**

**Ohio Admin. Code 117-2-02(C)(1)** states in part: all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Township did not record the appropriations nor the estimated resources certified by the County Budget Commission to the accounting system of any of the Township's funds

To enhance internal accounting control we recommend all budgetary information approved by the Trustees be timely and accurately input into the system. Approved appropriations should be in agreement with the financial system and submitted to the County Budget Commission. In addition, budgeted revenues should be updated in the financial system to reflect amounts as approved by the County Budget Commission in the Certificate of Estimated Resources.

Implementation of this recommendation may assist the Township in maintaining compliance with the Ohio Revised Code and allow the Trustees to more accurately monitor budgetary activity.



**FINDING NUMBER 2012-009**

**Ohio Rev. Code §9.38** states that public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt if the total amount of such moneys received exceeds one thousand dollars.

For example, a Township employee, other than the Fiscal Officer collecting funds and issuing a receipt, must deposit the funds with the Township's Fiscal Officer on the business day following the day of receipt if the total amount of moneys received exceeds one thousand dollars. As an alternative to depositing the funds with the Township's Fiscal Officer, the employee instead may deposit funds with the Township's designated depository on the business day following the day of receipt.

Pursuant to Ohio Rev. Code §9.38 if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public-office is governed by a legislative authority (counties, municipalities, townships, and school Townships), only the legislative authority may adopt the policy.

The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

The Township's prior Zoning Director did not deposit the collections within the specified time allowed by this Revised Code.

This could cause error and irregularities to occur without detection.

We recommend all monies collected by employees of the Township be deposited in accordance with this Revised Code Section.

**FINDING NUMBER 2012-010**

**Ohio Rev. Code §149.351(A)**, states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully. Additionally, **Ohio Rev. Code Section 121.22(C)** states, in part, that minutes of the regular or special meetings of any public office shall be promptly prepared, filed, maintained, and should be open to the public inspection.

The prior Fiscal Officer did not maintain the following supporting documentation relating to its 2011 and 2012 budgetary cycle:

- Certificate of Estimated Resources
- Appropriation Resolution
- Certificate of Total Amount of Resources Available
- Certificate Accepting the Amounts and Rates Necessary for Tax Levies

Also from the files submitted from the prior Fiscal Officer to the current Fiscal Officer we also noted the following documents were missing:

- Personnel files, debt files including amortizations schedules and payroll ledgers were missing.
- Monthly financial reports and bank reconciliations
- The Official Minutes for 2011
- Bank reconciliations for the period January 2011 - March 2012.
- Support for various expenditures for the period January 2011 to December 2012
- Employee check stubs showing gross pay and all deductions.
- Accurate Federal 941 Reports
- Any report submitted to the Trustees for their review.

Due to lack of sufficient audit evidence, we were unable to provide an audit opinion for the General and Special Revenue fund expenditures.

The Township should adopt policies and implement procedures to verify that all documentation is properly maintained. Failure to retain these required public records may result in an incomplete audit trail, create potential problems for future management decisions, and may result in findings for recovery in future audits.

**FINDING NUMBER 2012-010 – (continued)**

Also the Fiscal Officer should provide the Trustees the following reports on a monthly basis for their review:

- In UAN the Management Reports: Appropriation, Revenue and Fund reports; Investment Journal and Fund Status.
- Bank Reconciliation – (Have Trustees sign it.)
- Payroll Summary
- Warrants Summary
- Anything else they would like to see.

This would help to prevent any errors or irregularities from occurring and insure that the personal and financial records are properly maintained.

**FINDING NUMBER 2012-011**

**Ohio Rev. Code §507.04(A)**, requires, in part, that the Township Fiscal Officer keep an accurate record of the proceedings of the board of Township Trustees at all of its meetings and of all its accounts and transactions. Franklin Township did not include all official business within their minutes. The minutes did not include the following:

- Approval of all bills, debt, resolutions, financial and budgetary reports, monthly bank reconciliations, all budgetary actions, all employee/contract labor rates and approval of all prior meeting minutes.
- The Trustees approve the previous meets during the subsequent township meetings by stating “the minutes from the prior meeting were approved and signed” for clarity the date of the prior minutes should be stated.
- The minute records identify who was in attendance; however, the minutes reflect the Fiscal Officer as a Board Member rather than the Fiscal Officer. The minute records should reflect clearly who is attending and what position they hold.
- The minutes should reflect the reasons the Board is entering into executive session.
- Fiscal Officer should sign all the minutes.
- The Trustees in attendance of the meeting should formally excuse the trustee that is not in attendance to reflect what is happening at the meetings.
- Trustees must approve all blanket and super blankets cannot approved generically.
- All dollar amounts received from auctions should be reflected in the minutes.
- Large and unusual purchases dollar amounts such as purchase of land should be reflected in the minutes.

**FINDING NUMBER 2010-011 – (continued)**

- All new funds must be approved individually and may need Auditor of State approval. Funds cannot be approved by the Trustees in a generic authorization to the Fiscal Officer. If a fund is not authorized under Ohio Rev. Code Section 5705.09 or another Ohio Rev. Code section and the entity did not receive Auditor of State approval to establish the fund, propose the necessary findings for adjustment to remove the unauthorized fund(s) and place the activity in the General Fund or other appropriate fund.
- Trustees should approved entering into grant agreements and authorized approval of receipt of all grants including the amount reflected in the minutes.

The minutes are the official voice of the Trustees and should contain all official actions. Without the detail of official actions in the minutes, the Township does not have a complete written record of the transaction of each meeting to support official action or evidence of monitoring controls over the financial reporting of the Township.

We recommend that all actions of the Trustees be approved in the minutes, the minutes be signed by the Fiscal Officer and Board President, and minutes be bound and safeguarded against loss.

**FINDING NUMBER 2012-012**

**Internal Revenue Code Chapter 26 U.S.C. §3402** states that every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury. The employer is required to submit the employees' withholdings to the Internal Revenue Service either monthly or quarterly, depending upon the monthly gross wages.

The prior Fiscal Officer did not submit accurate payroll information on the Township 941 forms and/or did not submit the 941 forms documenting the federal income tax liability as far back as calendar year December 31, 2009.

Because of failure to properly submit accurate payroll information and/or file the required 941s with the Internal Revenue Service, the Township was required to pay \$29,305 in back taxes and penalties to be paid in monthly installments of \$715 per month.

We recommend the Township ensure that all Federal taxes withheld from payroll are properly reflected on the 941 and submitted to the IRS. All 941 forms should be on file along with all payroll documentation supporting the amounts included on the form.

This will help insure all payroll liabilities are properly accounted for.

**FINDING NUMBER 2012-013**

**Ohio Revised Code §5747.07** states in part, that every employer required to deduct and withhold any amount of taxes in section 5747.06 of the Revised Code shall file a return and shall pay the amount required by law.

We were unable to determine if the proper amount of taxes were remitted to the State Tax Commissioner and the proper local income tax agencies.

This matter will be referred to the Tax Commissioner.

**FINDING NUMBER 2012-014**

**Ohio Rev. Code, §145.03**, generally requires compulsory membership of employees to the Public Employees Retirement System (PERS). Section 145.47, Revised Code, requires member contribution and Section 145.48, Revised Code, requires employer contribution. The Township withheld PERS from employees' wages but we are unable to determine if the amounts withheld were properly remitted and/or if the amounts withheld were in accordance with the contribution rates prescribed by the Ohio Revised Code.

This matter will be referred to the Ohio PERS.

**FINDING NUMBER 2012-015**

**Ohio Rev. Code, §117.38**, states in part "Each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year.

**FINDING NUMBER 2012-015 – (continued)**

The auditor of state may extend the deadline for filing a financial report and establish terms and conditions for any such extension. At the time the report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in section 319.11 of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The report shall contain the following:

- (A) Amount of collections and receipts, and accounts due from each source;
- (B) Amount of expenditures for each purpose;
- (C) Income of each public service industry owned or operated by a municipal corporation, and the cost of such ownership or operation;
- (D) Amount of public debt of each taxing district, the purpose for which each item of such debt was created, and the provision made for the payment thereof. The substance of the report shall be published at the expense of the state in an annual volume of statistics, which shall be submitted to the governor. The auditor of state shall transmit the report to the general assembly at its next session.

Any public office, other than a state agency, that does not file its financial report at the time required by this section shall pay to the auditor of state twenty-five dollars for each day the report remains unfiled after the filing date; provided, that the penalty payments shall not exceed the sum of seven hundred fifty dollars. The Auditor of State may waive all or any part of the penalty assessed under this section upon the filing of the past due financial report.

All sums collected from such penalties shall be placed in the public audit expense fund — local government. If the auditor of state fails to receive payment for penalties not paid within one year from the required filing date, the auditor may recover the penalties through the process in division (D) of section 117.13 of the Revised Code."

The Township failed to file the annual financial report for 2011 and 2012 and did not publish a notice in the media that the report was available for public inspection.

Failure to file annual financial report as required could lead to the Township incurring penalties for failing to submit the required report.

We recommend the Township file all required financial reports within sixty days after the end of the fiscal year and publish a notice in the media informing the public that the financial report is available for public inspections.

**FINDING NUMBER 2012-016**

**Internal Revenue Code (IRC) Chapter 26 [26 C.F.R.]** – Reporting of income aggregating \$600 or more §1.6041-1 through §1.6041-2:

This section requires the Township to issue Forms 1099's to any independent contractor (other than a corporation) who has done \$600 or more of business during a year.

During the audit period the Fiscal Officer did not issue any 1099 forms.

We recommend the Fiscal Officer ensure Forms 1099's are sent out to all independent contractors who have done business with the township in accordance with this code section.

**FINDING NUMBER 2012-017**

Section 507.11 (B) Revised Code, states that no money belonging to a township may be paid out except upon an order signed personally by at least two Trustees and countersigned by the Clerk.

During our testing of expenditures we noted the prior fiscal officer utilized a signature stamp for the Trustees signature.

We recommend that all vouchers are approved and signed by the Clerk and at least 2 Trustees before an expenditure is made.

**FINDING NUMBER 2012-018**

**Noncompliance/Material Weakness**

**OAG Opinion 99-105** states for the purposes of calculating the authorized compensation of the fiscal officer (pursuant to R.C. 507.09) and trustees (pursuant to R.C. 505.24), the term "budget" refers to the total amount of resources available to the township pursuant to the official certificate of estimated resources or amendments to the certificate, since the date of the certificate controls the salary amount.

**Ohio Rev. Code §507.09** provides the limit on the maximum compensation to be paid to a Township Fiscal Officer and the Trustees. For the audit period, Franklin Township's total budget fell within a range setting the Trustees maximum salary allowable at \$10,288 for each year.

Based on our review of the Trustees Salary paid we noted the Trustees were overpaid. We recommend the Trustees review their official certificate of estimated resources on a regular basis to insure they are being paid the correct amount in accordance with the Revised Code section.

## FINDING NUMBER 2012-019

### Noncompliance/Material Weakness

**Ohio Revised Code §507.04** requires the Township to maintain an accurate record of the Township's accounts and transactions.

The Fiscal Officer should maintain accurate and complete accounting records sufficient to assure accountability for all transactions, including accurate and timely bank to book monthly cash reconciliations and complete and accurate accounting records. The Fiscal Officer should also maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to a uniform chart of accounts to help ensure that financial activity of the Township is accurately recorded and reported

Ohio Admin. Code 117-2-02(A) states that 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03.

The prior Fiscal Officer maintained three sets of books for the audit period – Quicken, the UAN system (provided by the Auditor of State's Office) and a manual set of books. The prior Fiscal Officer resigned her position as of April 30, 2013. The records provided to the current Fiscal Officer were incomplete and disorganized. Fund balances for fiscal years 2011 and 2012 could not be determined due to the poor condition of the Township records, including reconciliations of its account journals and ledgers with the bank. Because of the condition of the records the Auditor of State's Office declared the Township in Fiscal Caution and the Auditor of State's, Local Government Services performed a complete reconstruction of the Township records.

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Failure to maintain accurate and complete accounting records and consistently follow a uniform chart of accounts increases the possibility that the Township will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. The Township should also refer to the UAN Accounting Training manual for additional guidance in recording receipts and expenditures in the UAN System. In addition, the Township should review the financial statements and notes prior to submission for audit.



### **Officials Response**

Over the last fourteen months, Franklin Township's elected officials and employees have been concentrating on improving all aspects of the township. The main goal is to be removed from Fiscal Caution status, which will be accomplished by continuing to follow the goals that were established in the Recovery Plan submitted to the State of Ohio Auditor's Office as well as the improvements and cost reductions listed below.

The Township has made improvements including the following: moving the bookkeeping from manual ledgers to Uniform Accounting Network (UAN); preparing bank reconciliations monthly; providing monthly reports to the Trustees as follows: Revenue Status Report, Appropriation Status Report, Monthly Bank Reconciliation Report and Fund Status Report; and preparing/typing Minutes during the meeting to aid in accuracy,

Cost reductions have been accomplished by doing the following: changing plans with vendors such as phone and internet; extending the vehicle loans an additional two years to reduce monthly cost; applicable labor for repairs and maintenance is being provided in-house by Franklin Township Fire Department personnel instead of outsourcing; and reduction in road department hours.

The Township has been working with the Internal Revenue Service to file various delinquent payroll tax returns and forms for tax the periods January 1, 2009 through April 30, 2013 as well as pay the corresponding related payroll taxes. There were also balances due to the State of Ohio and School District because of delinquent payroll tax filings. As of June 16, 2014, all outstanding payroll tax returns and debt from prior years have been filed and paid including various prior years Forms 941, Forms W-3, Forms W-2, taxes, penalties and interest.

**FRANKLIN TOWNSHIP  
RICHLAND COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code §507.09 - Compensation of Fiscal Officer and Trustees	No	Reissued
2010-002	Ohio Rev. Code §507.11 – no money belonging to the Township shall be paid out except upon an order signed personally by at least two of the Trustees and countersigned by the Fiscal Officer	No	Reissued
2010-003	Ohio Rev. Code §9.38 – Public Money Deposited with Treasurer or Designated Depository	No	Reissued as finding 2012-009
2010-004	Ohio Rev. Code §5705.41(D) – Obligation of funds prior to encumbrances	No	Reissued as finding 2012-001
2010-005	Ohio Rev. Code §5705.41(B) - no subdivision or taxing unit is to expend money unless it has been appropriated	No	Reissued as finding 2012-002
2010-006	Ohio Rev. Code §5705.38 (A) requires to file an appropriation measure with the County Auditor within the prescribed timeline	No	Reissued as finding 2012-004
2010-007	Ohio Rev. Code §5705.39 – Appropriations are limited by estimated resources	No	Reissued as finding 2012-003
2010-008	Ohio Revised Code §5705.10 – Negative fund balances	No	Reissued as finding 2012-007
2010-009	Ohio Rev. Code §5705.36 (A)(4) Appropriations in excess of actual available resources	No	Reissued as finding 2012-005
2010-010	Ohio Rev. Code §5549.21 – Bidding for contracts	Yes	
2010-011	Ohio Rev. Code §5705.14, §5705.15, and §5705.16 – Unauthorized advances of Funds	No	Not applicable no transfers/advance in current year

**FRANKLIN TOWNSHIP  
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2012  
(continued)**

2010-012	Ohio Revised Code §507.04 - maintain an accurate record of the Township's accounts and transactions.	No	Reissued as finding 2012-011
2010-013	Internal Revenue Code (IRC) Chapter 26 [26 U.S.C.] - Collection of Income Tax at Source on Wages; 26 U.S.C. §3401 through §3406:	No	Reissued as finding 2012-012
2010-014	Internal Revenue Code (IRC) Chapter 26 [26 C.F.R.] - Reporting of income aggregating \$600 or more §1.6041-1 through §1.6041-2:	No	Reissued as finding 2012-016
2010-015	Ohio Rev. Code §507.04(A) - accurate record of the proceedings of the board of Township Trustees at all of its meetings	No	Reissued as finding 2012-017

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# Dave Yost • Auditor of State

**FRANKLIN TOWNSHIP**

**RICHLAND 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  
NOVEMBER 6, 2014**