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740.373.0056

1035 Murdoch Ave.
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104 South Sugar St.
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**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY
Regular Audit
For the Years Ended December 31, 2015 and 2014**

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Dave Yost • Auditor of State

Board of Trustees
Franklin Township
PO Box 03
Summitville OH 43962

We have reviewed the *Independent Auditor's Report* of Franklin Township, Columbiana County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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

October 13, 2016

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FRANKLIN TOWNSHIP
COLUMBIANA COUNTY

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INDEPENDENT AUDITOR'S REPORT

July 29, 2016

Franklin Township
Columbiana County
PO Box 03
Summitville, OH 43962

To the Township and Board of 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 **Franklin Township**, Columbiana County, (the Township) 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 opinions.



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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 (GAAP), 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 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, Columbiana 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, Columbiana 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2016, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 12,270	\$ 101,007	\$ 113,277
Intergovernmental	32,950	106,240	139,190
Miscellaneous	74	80,912	80,986
<i>Total Cash Receipts</i>	<u>45,294</u>	<u>288,159</u>	<u>333,453</u>
Cash Disbursements			
Current:			
General Government	59,199	2,268	61,467
Public Safety	-	44,629	44,629
Public Works	360	160,180	160,540
Human Services	-	105	105
Capital Outlay	-	62,158	62,158
Debt Service:			
Principal Retirement	-	17,584	17,584
Interest and Fiscal Charges	-	3,732	3,732
<i>Total Cash Disbursements</i>	<u>59,559</u>	<u>290,656</u>	<u>350,215</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,265)</u>	<u>(2,497)</u>	<u>(16,762)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	-	62,158	62,158
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>62,158</u>	<u>62,158</u>
<i>Net Change in Fund Cash Balances</i>	(14,265)	59,661	45,396
<i>Fund Cash Balances, January 1</i>	<u>(7,500)</u>	<u>78,158</u>	<u>70,658</u>
Fund Cash Balances, December 31			
Restricted	-	137,819	137,819
Unassigned (Deficit)	<u>(21,765)</u>	<u>-</u>	<u>(21,765)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (21,765)</u>	<u>\$ 137,819</u>	<u>\$ 116,054</u>

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

**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 11,020	\$ 87,819	\$ 98,839
Intergovernmental	23,804	118,857	142,661
Miscellaneous	1,809	-	1,809
<i>Total Cash Receipts</i>	<u>36,633</u>	<u>206,676</u>	<u>243,309</u>
Cash Disbursements			
Current:			
General Government	48,483	-	48,483
Public Safety	-	76,163	76,163
Public Works	28,822	134,224	163,046
Human Services	-	368	368
Capital Outlay	36,045	72,092	108,137
Debt Service:			
Principal Retirement	1,173	3,560	4,733
Interest and Fiscal Charges	241	682	923
<i>Total Cash Disbursements</i>	<u>114,764</u>	<u>287,089</u>	<u>401,853</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(78,131)</u>	<u>(80,413)</u>	<u>(158,544)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	36,045	72,092	108,137
<i>Total Other Financing Receipts (Disbursements)</i>	<u>36,045</u>	<u>72,092</u>	<u>108,137</u>
<i>Net Change in Fund Cash Balances</i>	(42,086)	(8,321)	(50,407)
<i>Fund Cash Balances, January 1</i>	<u>34,586</u>	<u>86,479</u>	<u>121,065</u>
Fund Cash Balances, December 31			
Restricted	-	78,158	78,158
Unassigned (Deficit)	(7,500)	-	(7,500)
<i>Fund Cash Balances, December 31</i>	<u>\$ (7,500)</u>	<u>\$ 78,158</u>	<u>\$ 70,658</u>

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

**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

The Township participates in a public entity risk pool and is associated with a related organization. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Plan Risk Management Inc. (OPRM) – a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”).

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 Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 Section 117-2-03(D) permit.

C. Deposits

The Township maintains all funds in a checking account.

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
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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.

Fire District Fund – This fund receives property tax money to provide fire services to the public.

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

E. Budgetary Process

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

1. Appropriations

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

3. Encumbrances

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

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

**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 DEPOSITS

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

	2015	2014
Demand deposits	\$ 116,054	\$ 70,658
Total deposits	\$ 116,054	\$ 70,658

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

3. BUDGETARY ACTIVITY

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

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 107,209	\$ 45,294	\$ (61,915)
Special Revenue	212,927	350,317	137,390
Total	\$ 320,136	\$ 395,611	\$ 75,475

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 118,568	\$ 59,877	\$ 58,691
Special Revenue	257,963	290,899	(32,936)
Total	\$ 376,531	\$ 350,776	\$ 25,755

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 29,772	\$ 72,678	\$ 42,906
Special Revenue	198,116	278,768	80,652
Total	\$ 227,888	\$ 351,446	\$ 123,558

**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 70,942	\$ 114,884	\$ (43,942)
Special Revenue	277,920	287,353	(9,433)
Total	\$ 348,862	\$ 402,237	\$ (53,375)

Contrary to Ohio law, appropriations exceeded estimated resources in the MVL Fund, Gas Tax Fund, and Road Levy Fund in 2015.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gas Tax Fund, Road and Bridge Fund, and Fire District Fund in 2015 and the General Fund, Gas Tax Fund, Road and Bridge Fund, and Fire District Fund in 2014.

Contrary to Ohio law, the General Fund had a negative fund balance in 2015 and 2014.

Contrary to Ohio law, certification of availability of unencumbered appropriations for expenditure was not always obtained in 2015 and 2014.

4. PROPERTY TAX

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

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

5. LEASE

Debt outstanding at December 31, 2015 is as follows:

	Principal	Interest Rate
Truck Lease	\$ 89,055	2.70%
Utility Tractor Lease	58,923	Variable
Total	\$ 147,978	

In 2014, the Township entered into a lease with an option to purchase with Santander Leasing LLC for the use of an International Terra Star truck. The lease is for 7 years, with 84 monthly payments of \$1,414, totaling \$118,776. At the end of the 7 year period, the Township has the option to purchase the truck for no additional cost. The truck leased is used for road repairs and maintenance. Payments are made from the General Fund, Gas Tax Fund, and Road and Bridge Fund.

**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

5. LEASE (Continued)

In 2015, the Township approved to enter into a lease with an option to purchase with Agricredit Acceptance LLC for the use of a utility tractor. The lease is for 6 years, with 83 monthly payments of \$870, totaling \$72,210. At the end of the 6 year period, the Township has the option to purchase the tractor for no additional cost. The tractor leased is used for road repairs and maintenance. Payments are made from the Gas Tax Fund and Road and Bridge Fund.

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

<u>Year Ending December 31:</u>	<u>Truck Lease</u>	<u>Utility Tractor Lease</u>
2016	\$ 16,968	\$ 10,440
2017	16,968	10,440
2018	16,968	10,440
2019	16,968	10,440
2020	16,968	10,440
2021-2025	11,312	6,960
Total	<u>\$ 96,152</u>	<u>\$ 59,160</u>

6. LEASE/OPTION TO PURCHASE

In 2015, the Township approved to enter into a lease with an option to purchase with Troy & Jessica Thorne for the use of real estate. The lease is for 5 years, with 5 yearly payments of \$5,000, totaling \$25,000. During the term of the lease, the Township has the option to purchase the real estate for \$25,000. The Township is responsible for all real estate taxes, assessments and liability insurance on the property. The real estate leased is used for Township government business. Payments are made from the General Fund.

7. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are 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 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

8. RISK MANAGEMENT

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio townships ("Members"). The Plan is legally separate from its member townships.

**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

8. RISK MANAGEMENT (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014 (the latest information available).

	2013	2014
Assets	<u>\$13,774,304</u>	<u>\$14,830,185</u>
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.



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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**

July 29, 2016

Franklin Township
Columbiana County
PO Box 03
Summitville, OH 43962

To the Township and Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of **Franklin Township**, Columbiana County, (the Township) 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 July 29, 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 the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2015-001 through 2015-003 to be material weaknesses.



...“bringing more to the table”

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

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Material Noncompliance

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-002 and 2015-003.

We note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 29, 2016.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Posting Receipts, Disbursements, and Fund Balances

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54: *Fund Balance Reporting and Governmental Fund Type Definitions*.

During 2015 and 2014, receipts, disbursements, and fund balances were not always posted or classified correctly. The following errors were noted:

- Homestead rollbacks were recorded as Property and Other Local Taxes instead of Intergovernmental in 2014;
- Capital Lease activity for new capital leases was not recorded in 2015 and 2014;
- Capital Lease payments were posted 100% to Principal Retirement instead of the interest portions to Interest and Other Fiscal Charges in 2015 and 2014;
- Salaries were not allocated to the appropriate funds per payroll certifications;
- Property tax receipts were posted at net instead of gross;
- Fund balance for the Road Levy Fund was classified as committed without a formal resolution or commitment by the Board of Trustees, therefore was reclassified to restricted;
- Prior audit adjustments were not posted to the correct year;
- Receipts received from Spectra Energy that are restricted for road repairs in relation to damages as a result of a new pipeline project were incorrectly recorded in the General Fund instead of a Special Revenue Fund;
- Expenses not charged to the appropriate fund.

Not posting receipts and disbursement or classifying fund balances accurately resulted in the financial statements requiring several reclassifications and adjusting entries. The financial statements reflect all reclassifications and adjustments. The Township has made these adjustments to their accounting system

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer the Ohio Township Handbook or other Auditor of State resources for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management's Response – We did not receive a response from officials to this finding.

**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-002

Material Weakness/Non-Compliance

Certification of Trustee Compensation

Per Ohio Revised Code 505.24(C) to be paid on a salary basis in equal monthly installments, the Board of Trustees must unanimously pass a resolution to allow it. To be paid from any fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund. If trustees use the salary method and are compensated from funds other than the General Fund, they must certify the percentage of the time spent working on matters that are to be paid from funds other than the General Fund. Trustees must complete a certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee/fiscal officer spent during that pay period providing services related to each fund to be charged. If 100% of the compensation of the township trustee is to be paid from the General Fund, no certification is required.

Township's trustees' annual salaries were improperly allocated between multiple funds in 2015 and 2014. This method of payment was approved via resolution; however, there were some months with supporting certifications not properly allocated to the appropriate funds per the certification. We also noted some months that did not have supporting certifications.

The following adjustments for trustees' salaries were made to the financial statements and accounting records to reflect the Trustees' estimate of time spent in relation to general business of the Township per payroll certifications.

2015 – 2021 MVL Tax – Public Works	\$ (3,821)
2011 Gas Tax – Public Works	3,821
2014 – 1000 General Government	\$(18,961)
2021 Gas Tax – Public Works	12,664
2011 MVL Tax – Public Works	6,297

The Township Trustees should specify in the resolution the proportions of the salary that are to be paid from each fund. Each Trustee should fill out a signed certification form documenting the amount of time they spent working on the fund(s) their pay is being charged prior to receiving pay for that period. Additionally, the Township should ensure the portion attributable to the general business of the Township is accurately included in the calculation and charged to the General Fund. The Township should also ensure time is appropriately charged to funds per payroll certifications.

Management's Response – We did not receive a response from officials to this finding.

**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-003

Material Weakness/Non-Compliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Township making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.39 which states appropriations cannot exceed estimated resources;
- Violations of 5705.41(D) which requires expenditures to have prior certification of availability of funds;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);
- Violations of 5705.10(I) stating that money paid into any fund shall be used only for the purpose for which such fund is established; as a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The violation of 5705.10(I) was a result of audit adjustments which brought the General Fund to a negative fund balance of (\$7,500) at December 31, 2014 and grew to a negative fund balance of (\$21,765) at December 31, 2015.

Although the Board of Trustees approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed and submitted to the County Budget Commission timely.

The Board should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections. If the Board does not consider this necessary, steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item. We also recommend the Board monitor fund balances more accurately to ensure negative fund balances do not occur.

We also recommend the Fiscal Officer modify appropriations with the Board of Trustees and the County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

**FRANKLIN TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Certification of Trustee Compensation	No	Repeated as Finding 2015-002

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Dave Yost • Auditor of State

FRANKLIN TOWNSHIP

COLUMBIANA 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
OCTOBER 25, 2016**