



Dave Yost • Auditor of State

**FRANKLIN TOWNSHIP
HARRISON COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Franklin Township
Harrison County
86530 North Bay Road
Scio, Ohio 43988

To the 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, Harrison County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (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 § 117.38 and Ohio Administrative Code § 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 the Township as of December 31, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Franklin Township, Harrison County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 7, 2018

**FRANKLIN TOWNSHIP
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$20,974	\$74,158	\$95,132
Licenses, Permits and Fees	329	0	329
Intergovernmental	19,993	100,089	120,082
Earnings on Investments	534	474	1,008
Miscellaneous	1,000	1,940	2,940
<i>Total Cash Receipts</i>	<u>42,830</u>	<u>176,661</u>	<u>219,491</u>
Cash Disbursements			
Current:			
General Government	35,415	17,256	52,671
Public Safety	0	45,845	45,845
Public Works	1,000	146,512	147,512
Health	0	32,037	32,037
Capital Outlay	0	1,585	1,585
<i>Total Cash Disbursements</i>	<u>36,415</u>	<u>243,235</u>	<u>279,650</u>
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	<u>6,415</u>	<u>(66,574)</u>	<u>(60,159)</u>
Other Financing Receipts			
Other Financing Sources	560	0	560
<i>Total Other Financing Receipts</i>	<u>560</u>	<u>0</u>	<u>560</u>
<i>Net Change in Fund Cash Balances</i>	6,975	(66,574)	(59,599)
<i>Fund Cash Balances, January 1</i>	<u>96,707</u>	<u>457,500</u>	<u>554,207</u>
Fund Cash Balances, December 31			
Restricted	0	277,889	277,889
Committed	0	113,037	113,037
Assigned	91,324	0	91,324
Unassigned (Deficit)	12,358	0	12,358
<i>Fund Cash Balances, December 31</i>	<u>\$103,682</u>	<u>\$390,926</u>	<u>\$494,608</u>

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

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Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Franklin Township, Harrison County (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Tappan Fire Department, Deersville Fire Department and Tappan Fire District to provide fire services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Basis of Accounting

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.

Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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.

Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$36,415 and all of the Special Revenue Funds by a total of \$243,235 for the year ended December 31, 2017. This was a result of the Township Trustees not passing a permanent appropriation measure for 2017 as required by Ohio Rev. Code Section 5705.38(A).

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,500	\$43,390	\$3,890
Special Revenue	181,860	176,661	(5,199)
Total	\$221,360	\$220,051	(\$1,309)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$36,415	(\$36,415)
Special Revenue	0	243,235	(243,235)
Total	\$0	\$279,650	(\$279,650)

Note 5 – Deposits

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

	2017
Demand deposits	\$494,608

Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the financial institution's public entity deposit pool.

The Township's deposits are collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2017, the financial institution still maintained its own collateral pool.

Note 6 – Property Taxes

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

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

Note 7 – Risk Management

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

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016 (the most recent information available):

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>2017 Contributions to OTARMA</u>
\$5,941

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

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. 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.

**FRANKLIN TOWNSHIP
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$21,702	\$85,015	\$106,717
Licenses, Permits and Fees	329	0	329
Intergovernmental	19,981	148,004	167,985
Earnings on Investments	144	131	275
Miscellaneous	0	3,959	3,959
<i>Total Cash Receipts</i>	42,156	237,109	279,265
Cash Disbursements			
Current:			
General Government	36,757	1,107	37,864
Public Safety	0	42,347	42,347
Public Works	0	84,709	84,709
Health	0	11,744	11,744
Capital Outlay	6,500	12,000	18,500
<i>Total Cash Disbursements</i>	43,257	151,907	195,164
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	(1,101)	85,202	84,101
Other Financing Receipts (Disbursements)			
Other Financing Sources	67	0	67
Other Financing Uses	0	(45,295)	(45,295)
<i>Total Other Financing Receipts (Disbursements)</i>	67	(45,295)	(45,228)
<i>Net Change in Fund Cash Balances</i>	(1,034)	39,907	38,873
<i>Fund Cash Balances, January 1</i>	97,741	417,593	515,334
Fund Cash Balances, December 31			
Restricted	0	335,819	335,819
Committed	0	121,681	121,681
Unassigned (Deficit)	96,707	0	96,707
<i>Fund Cash Balances, December 31</i>	\$96,707	\$457,500	\$554,207

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

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Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Franklin Township, Harrison County (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Tappan Fire Department, Deersville Fire Department and Tappan Fire District to provide fire services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Tappan Fire District Fund The Tappan Fire District fund receives property tax money to provide fire protection to Township residents.

Basis of Accounting

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).

Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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.

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$43,257 and all of the Special Revenue Funds by a total of \$197,202 for the year ended December 31, 2016. This was a result of the Township Trustees not passing a permanent appropriation measure for 2016 as required by Ohio Rev. Code Section 5705.38(A).

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,598	\$42,223	\$6,625
Special Revenue	225,398	237,109	11,711
Total	\$260,996	\$279,332	\$18,336

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$43,257	(\$43,257)
Special Revenue	0	197,202	(197,202)
Total	\$0	\$240,459	(\$240,459)

Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 5 – Deposits

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

	<u>2016</u>
Demand deposits	<u>\$554,207</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the financial institution's public entity deposit pool.

The Township's deposits are collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2016, the financial institution still maintained its own collateral pool.

Note 6 – Property Taxes

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

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

Note 7 – Risk Management

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

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016:

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>2016 Contributions to OTARMA</u>
\$5,875

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

Franklin Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. 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.



Dave Yost • Auditor of State

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

Franklin Township
Harrison County
86530 North Bay Road
Scio, Ohio 43988

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Franklin Township, Harrison County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 7, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 Findings that we consider material weaknesses. We consider findings 2017-001 through 2017-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2017-001 and 2017-005.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

May 7, 2018

**FRANKLIN TOWNSHIP
HARRISON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.38(A) states, in part, that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April.

Ohio Rev. Code § 5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

Expenditures exceeded appropriations in the following funds as a result of the Board of Trustees not approving an annual appropriation measure in 2017:

Fund	Approved Permanent Appropriations	Expenditures	Variance
General	\$0	\$36,415	(\$36,415)
Motor Vehicle License Tax	0	8,495	(8,495)
Gasoline Tax	0	117,227	(117,227)
Road and Bridge	0	38,372	(38,372)
Cemetery	0	33,296	(33,296)
Fire District	0	35,657	(35,657)
Tappan Fire District	0	10,188	(10,188)

Expenditures exceeded appropriations in the following funds as a result of the Board of Trustees not approving an annual appropriation measure in 2016:

Fund	Approved Permanent Appropriations	Expenditures	Variance
General	\$0	\$43,257	(\$43,257)
Motor Vehicle License Tax	0	9,217	(9,217)
Gasoline Tax	0	65,975	(65,975)
Road and Bridge	0	22,342	(22,342)
Cemetery	0	12,026	(12,026)
Fire District	0	32,062	(32,062)
Tappan Fire District	0	55,580	(55,580)

While the Board passed temporary appropriations for 2017 and 2016, permanent appropriations were not passed by the Board in the minute record.

**FRANKLIN TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-001
(Continued)**

Noncompliance and Material Weakness - Ohio Rev. Code § 5705.38(A) (Continued)

The Board should ensure that permanent appropriations are passed no later than April 1 each year. The Board should also regularly monitor appropriations and expenditures and, if necessary, file amendments with the County Auditor to ensure that expenditures from each fund do not exceed the total appropriations. This will help to reduce the risk of disbursements exceeding appropriations and will add a measure of control over the Township's budgetary process.

Officials' Response: We will have permanent appropriations passed by April 1 in the future, and we will approve amended appropriations, if necessary to stay within Township's budget.

FINDING NUMBER 2017-002

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township should maintain an accounting system and accounting records sufficient to enable the Township to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Township did not always record receipts, disbursements, and fund balance into accurate classifications on the financial statements.

The following significant errors were noted in 2017:

- First- and second-half homestead and rollback, as well as lodging excise taxes, totaling \$3,716 were improperly classified as taxes revenue in the General Fund, rather than intergovernmental revenue.
- First- and second-half homestead and rollback taxes were improperly classified as taxes revenue, rather than intergovernmental revenue in the Road and Bridge, Cemetery, Fire District and Tappan Fire District Funds in the amounts of \$3,301, \$250, \$4,109 and \$1,106, respectively.
- The ending fund balance in the Road and Bridge Fund in the amount of \$113,037 was improperly classified as restricted, rather than committed.
- A portion of the ending fund balance in the General Fund in the amount of \$91,324 was improperly classified as unassigned, rather than assigned due to subsequent year appropriations exceeding estimated revenues.

**FRANKLIN TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-002
(Continued)**

Material Weakness (Continued)

The following significant errors were noted in 2016:

- First- and second-half homestead and rollback, as well as lodging excise taxes, totaling \$3,704 were improperly classified as taxes revenue in the General Fund, rather than intergovernmental revenue.
- A portion of the purchase of a backhoe/loader from the General Fund totaling \$6,500 was improperly classified as a general government expenditure, rather than a capital outlay expenditure.
- The ending fund balance in the Road and Bridge Fund in the amount of \$121,681 was improperly classified as restricted, rather than committed.

The reclassifications noted above, with which management agrees, have been made and are reflected in the accompanying financial statements.

In addition to the reclassifications listed above, we also identified additional misstatements in 2017 of \$329 and ranging from \$329 to \$4,156 in 2016 that we have brought to the Township's attention.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and the risk that management would not be provided an accurate picture of the Township's financial position and operations.

The Township should take the necessary steps to ensure that all receipts, expenditures, and fund balance are properly presented and disclosed in the Township's financial statements.

Officials' Response: We will take the necessary steps in the future to ensure that all receipts, expenditures and fund balances are properly presented and disclosed in Township's financial statements.

FINDING NUMBER 2017-003

Material Weakness

The Township should have internal controls in place to reasonably assure that budgetary accounts are accurately input into the Uniform Accounting Network (UAN) system.

The Board of Trustees did not properly approve permanent appropriations or any appropriation amendments, which resulted in variances between approved amounts and the amounts that were posted to the Township's accounting system.

The following variances occurred in 2017:

**FRANKLIN TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-003
(Continued)**

Material Weakness (Continued)

Fund	Amount per Board-approved permanent appropriations	Amount posted to accounting system (UAN)	Variance
General	\$0	\$130,028	\$130,028
Motor Vehicle License Tax	0	50,138	50,138
Gasoline Tax	0	323,200	323,200
Road and Bridge	0	159,020	159,020
Cemetery	0	63,996	63,996
Fire District	0	37,904	37,904
Tappan Fire District	0	10,952	10,952
Special Revenue	0	329	329

The following variances occurred in 2016:

Fund	Amount per Board-approved permanent appropriations	Amount posted to accounting system (UAN)	Variance
General	\$0	\$133,339	\$133,339
Motor Vehicle License Tax	0	51,520	51,520
Gasoline Tax	0	292,412	292,412
Road and Bridge	0	145,743	145,743
Cemetery	0	57,588	57,588
Fire District	0	33,730	33,730
Tappan Fire District	0	56,265	56,265
Special Revenue	0	329	329

The Board of Trustees should ensure that permanent appropriations are properly approved no later than April 1 of each year. In addition, the Fiscal Officer should periodically present budget versus actual results to the Board of Trustees. As part of their monitoring responsibilities, the Board of Trustees should review this information and should inquire to the Fiscal Officer if they note apparent errors in the budget or actual data and should also use this information to determine if they should amend estimated revenues or appropriations.

Officials' Response: We will have appropriations and amended appropriations approved by the Board of Trustees in the future.

**FRANKLIN TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-004

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Township's staff did not allow for an adequate segregation of duties as the Fiscal Officer performed all accounting functions. Therefore, it is important that the Board of Trustees functions as a finance committee to monitor financial activity closely. However, the Board of Trustees were not provided with bank reconciliations or financial reports, such as monthly activity of revenues and expenditures, budget vs. actual, etc., for review and approval at monthly meetings. This lack of control procedures could result in errors and/or omissions occurring in the Township's accounting records.

Financial information should be presented to the Board of Trustees on a regular basis. This information should include monthly bank reconciliations, as well as monthly revenue and expenditure activity by fund, and budget versus actual reports. The presentation and approval of these reports should also be documented in the minutes of the Township's meetings.

Officials' Response: The Fiscal Officer will start providing the Board of Trustees with the bank reconciliation and monthly revenue and expenditure activity by fund and budget versus actual reports at each Township meeting.

FINDING NUMBER 2017-005

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. All revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose shall be paid into the general fund.

During 2017, we noted the following financial statement errors:

- Township Supplement payments (i.e., local government monies) from the County Auditor in the total amount of \$6,179 were improperly posted to the Road and Bridge Fund as Miscellaneous Revenue and should have been posted to the General Fund as Intergovernmental Revenue.

During 2016, we noted the following financial statement errors:

- Township Supplement payments (i.e., local government monies) from the County Auditor in the total amount of \$6,179 were improperly posted to the Road and Bridge Fund as Miscellaneous Revenue and should have been posted to the General Fund as Intergovernmental Revenue.

These adjustments, to which Township management agrees, have been posted to the Township's accounting records and are reflected in the accompanying financial statements.

**FRANKLIN TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

**FINDING NUMBER 2017-005
(Continued)**

Noncompliance and Material Weakness - Ohio Rev. Code § 5705.10(D) (Continued)

In addition to the errors listed above, we also identified an additional misstatement in the amount of \$5,910 for a grant received on-behalf of the Township fire departments not posted to the accounting records that we have brought to the Township's attention.

The Fiscal Officer should record Township supplements and HB 64 local government monies in the Township's General Fund. In addition, the Fiscal Officer should ensure that grants received on behalf of Township fire departments are recorded on the Township's ledgers.

Officials' Response: We were not aware the township supplement monies were supposed to be posted to the local government code. We will correct this situation for the future. We will also start recording fire department grant monies in the Township's ledger. We were not properly informed on how to handle the grant money when the fire department started receiving this grant.



Dave Yost • Auditor of State

FRANKLIN TOWNSHIP

HARRISON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 22, 2018**