

***FRANKLIN TOWNSHIP***

**COSHOCTON COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2011 and 2010**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Board of Trustees  
Franklin Township  
1000 Muskingum Avenue  
Conesville, Ohio 43811

We have reviewed the *Report of Independent Accountants* of Franklin Township, Coshocton County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 30, 2012

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**FRANKLIN TOWNSHIP**  
**COSHOCTON COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2011 and 2010**

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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Franklin Township  
Coshocton County  
1000 Muskingum Avenue  
Conesville, Ohio 43811

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Coshocton County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, Franklin Township, Coshocton County has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

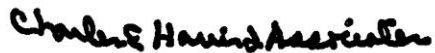
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Franklin Township, Coshocton County as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Franklin Township, Coshocton County, as of December 31, 2011 and 2010 and the reserves for encumbrances as of the December 31, 2010 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Franklin Township, Coshocton County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Charles E. Harris & Associates, Inc.**

July 20, 2012



**FRANKLIN TOWNSHIP  
COSHOCTON COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 130,895	\$ 120,343	\$ 251,238
Charges for Services	3,500	-	3,500
Licenses, Permits, and Fees	20,718	-	20,718
Intergovernmental	51,800	207,493	259,293
Earnings on Investments	3,945	1,461	5,406
Miscellaneous	-	13,009	13,009
	<u>210,858</u>	<u>342,306</u>	<u>553,164</u>
<b>Total Cash Receipts</b>			
	<u>210,858</u>	<u>342,306</u>	<u>553,164</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	151,517	-	151,517
Public Safety	500	35,227	35,727
Public Works	41,485	145,622	187,107
Health	39,037	29,951	68,988
Capital Outlay	-	34,276	34,276
	<u>232,539</u>	<u>245,076</u>	<u>477,615</u>
<b>Total Cash Disbursements</b>			
	<u>232,539</u>	<u>245,076</u>	<u>477,615</u>
Excess of Receipts Over/(Under) Disbursements	(21,681)	97,230	75,549
<b>Other Financing Receipts/(Disbursements):</b>			
Transfer In	-	30,000	30,000
Transfer Out	(30,000)	-	(30,000)
	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Cash Balances	(51,681)	127,230	75,549
Fund Cash Balance, January 1	<u>270,793</u>	<u>828,786</u>	<u>1,099,579</u>
Fund Cash Balances, December 31			
Restricted	-	956,016	956,016
Assigned	904	-	904
Unassigned	218,208	-	218,208
	<u>219,112</u>	<u>956,016</u>	<u>1,175,128</u>
<b>Fund Cash Balance, December 31</b>			
	<u>\$ 219,112</u>	<u>\$ 956,016</u>	<u>\$ 1,175,128</u>

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

**FRANKLIN TOWNSHIP  
COSHOCTON COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 104,710	\$ 102,185	\$ 206,895
Charges for Services	3,500	-	3,500
Licenses, Permits, and Fees	15,368	-	15,368
Intergovernmental	95,215	267,499	362,714
Earnings on Investments	8,344	1,873	10,217
Miscellaneous	31	5,661	5,692
	<u>227,168</u>	<u>377,218</u>	<u>604,386</u>
Total Cash Receipts			
	<u>227,168</u>	<u>377,218</u>	<u>604,386</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	154,502	-	154,502
Public Safety	450	48,190	48,640
Public Works	51,274	181,692	232,966
Health	39,681	6,354	46,035
Miscellaneous	-	26	26
Capital Outlay	767	105,448	106,215
	<u>246,674</u>	<u>341,710</u>	<u>588,384</u>
Total Cash Disbursements			
	<u>246,674</u>	<u>341,710</u>	<u>588,384</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(19,506)	35,508	16,002
Fund Cash Balance, January 1	<u>290,299</u>	<u>793,278</u>	<u>1,083,577</u>
<b>Fund Cash Balance, December 31</b>	<u>\$ 270,793</u>	<u>\$ 828,786</u>	<u>1,099,579</u>
Reserve for Encumbrances, December 31	<u>\$ 904</u>	<u>\$ 1,623</u>	<u>\$ 2,527</u>

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

**FRANKLIN TOWNSHIP  
COSHOCOTON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**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, Coshocoton County, Ohio (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 participates in one jointly governed organization: Coshocoton – Franklin Joint Economic Development District (District), which was created to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare within the District. 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.

**B. BASIS OF ACCOUNTING**

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. CASH**

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. FUND ACCOUNTING**

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Fund Types:**

**General Fund:** The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**FRANKLIN TOWNSHIP  
COSHOCOTON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**D. FUND ACCOUNTING – (continued)**

**Special Revenue Funds:** These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township has the following significant Special Revenue funds:

- **Road and Bridge Fund** – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.
- **Gasoline Tax Fund** – This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.
- **Fire Levy** – This fund receives real estate tax for the cost associated with the fire protection contract between Franklin Township, Virginia Township, and the Township of Conesville.

**E. BUDGETARY PROCESS**

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**1. Estimated Resources**

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The county budget commission approves the certificate of estimated resources.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Fiscal Officer sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate and submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2011 and 2010. However, those fund balances are available for appropriation.

**FRANKLIN TOWNSHIP**  
**COSHOCTON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**E. BUDGETARY PROCESS - (continued)**

**2. Appropriations**

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**3. Encumbrances**

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding year without being re-appropriated.

**F. PROPERTY, PLANT AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**H. FUND BALANCE**

For December 31, 2011, fund balance is divided into 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.

**FRANKLIN TOWNSHIP  
 COSHOCTON COUNTY, OHIO  
 Notes to the Financial Statements  
 For the Years Ended December 31, 2011 and 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**H. FUND BALANCE (continued)**

**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.

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

	<b>2011</b>	<b>2010</b>
<b>Demand Deposits</b>	<b>\$ 1,175,128</b>	<b>\$ 1,099,579</b>
<b>Total Deposits and Investments</b>	<b>\$ 1,175,128</b>	<b>\$ 1,099,579</b>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**FRANKLIN TOWNSHIP  
COSHOCOTON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**3. 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.

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

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs Actual Budgetary Basis Disbursements			
Funds	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 269,889	\$ 263,443	\$ 6,446
Special Revenue	826,610	269,818	556,792
Total	\$ 1,096,499	\$ 533,261	\$ 563,238

2011 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 181,175	\$ 210,858	\$ 29,683
Special Revenue	244,367	372,306	127,939
Total	\$ 425,542	\$ 583,164	\$ 157,622

**FRANKLIN TOWNSHIP  
COSHOCOTON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**4. BUDGETARY ACTIVITY – (continued)**

2010 Budgeted vs Actual Budgetary Basis Disbursements			
Funds	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 407,827	\$ 247,578	\$ 160,249
Special Revenue	635,236	343,333	291,903
Total	\$ 1,043,063	\$ 590,911	\$ 452,152

2010 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 230,269	\$ 227,168	\$ (3,101)
Special Revenue	311,030	377,218	66,188
Total	\$ 541,299	\$ 604,386	\$ 63,087

**5. RETIREMENT SYSTEM**

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10% in 2010 and in 2011 of their gross pay while the Township contributed an amount equal to 14% of covered payroll for both years. The Township paid all required contributions through 2011.

**6. RISK MANAGEMENT**

The Township belongs to 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 governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) – formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. – mirrors the oversight function previously performed by the Board of Directors. The Board of Council consists of 11 members that include appointed and elected officials from member organizations.



**FRANKLIN TOWNSHIP  
COSHOCOTON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**6. 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 14 appointed independent agents in the State of Ohio. These coverage programs, referred to as the Ohio Plan Risk Management (“OPRM”), 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 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first 250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political subdivisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through 17 appointed independent agents in the State of Ohio. Coverage premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductible, co-insurance level, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township did not participate in this coverage.

Plan Members are responsible to notify the Plan of their intent to renew coverages 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.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**FRANKLIN TOWNSHIP  
COSHOCOTON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**7. JOINTLY GOVERNED ORGANIZATIONS**

*Coshocton – Franklin Joint Economic Development District (District)* – Franklin Township has entered into a contractual agreement effective January 10, 2005 with the City of Coshocton to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State of Ohio, Coshocton County, the City, the Township and the District. The District is administered by a three to five member Board of Directors consisting of one member representing the City, one member representing the Township and appointed by the Township Trustees, one member who is a business owner in the District representing the business owners in the District, one member who is a person employed within the District and one member selected by unanimous vote of all members appointed at the time.

Neither the Township nor the City have any fixed financial obligation set aside for administrative costs and expenses of the Board. The City is responsible for basic administrative costs of the Board. The Board of Directors has entered into an agreement to administer, collect and enforce the income tax on behalf of the District with the City of Coshocton and the City Income Tax Commissioner. Upon termination of the contractual agreement, any property, assets and obligations of the District shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party.

**8. RESTATEMENT OF PRIOR YEAR'S FUND BALANCE**

The Township determined the endowment funds had no specific principal restrictions. Therefore, the balance at January 1, 2010 was moved to Special Revenue Funds:

	<b>Permanent Funds</b>	<b>Special Revenue</b>
Fund balance as of December 31, 2009	\$ 1,850	\$ 791,428
Fund restatement	<u>(1,850)</u>	<u>1,850</u>
Restated fund balance January 1, 2010	\$ 0	\$ 793,278

**9. TRANSFERS**

In 2011, the General Fund transferred \$30,000 to the Cemetery Fund to pay for road improvement within the cemetery. All transfers were in compliance with Ohio Revised Code Section 5705.14-16.

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

Franklin Township  
Coshocton County  
1000 Muskingum Avenue  
Conesville, Ohio 43811

To the Board of Trustees:

We have audited the financial statements of Franklin Township, Coshocton County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 20, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we noted the Township implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-FTCC-01 and 2011-FTCC-02 described in the accompanying schedule of findings to be material weaknesses.

### Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 2011-FTCC-02 through 2011-FTCC-04.

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.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.

*Charles E. Harris and Associates*

**Charles E. Harris and Associates, Inc.**

July 20, 2012

**FRANKLIN TOWNSHIP  
COSHOCKTON COUNTY**

**SCHEDULE OF FINDINGS  
For the Years Ended December 31, 2011 and 2010**

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

**FINDING NUMBER 2011-FTCC-01**

**Material Weakness**

**Financial Reporting**

As a result of audit procedures performed, errors were noted in the Township's financial statements that required audit adjustments and reclassifications as follows:

- For 2011 and 2010, the Township recorded homestead and rollbacks and other revenue received from the State of Ohio as property taxes or other revenue instead of intergovernmental revenue. The General Fund and the Special Revenue fund reclassifications are \$4,707 and \$13,346, respectively for 2011 and \$12,285 and \$9,630, respectively for 2010.
- For 2011 and 2010, the Township misclassified Fire Levy Fund expenditures as general government expenditures instead of public safety. The misclassifications were \$35,227 and \$34,482, respectively.
- For 2011 and 2010, the Township recorded public utility reimbursements and permissive taxes as miscellaneous revenue instead of intergovernmental revenue. The General Fund and the Special Revenue Fund reclassifications are \$41,780 and \$36,526, respectively.
- For 2010, the Township misclassified Fire Levy Fund expenditures as general government and capital outlay expenditures instead of capital outlay and public safety expenditures. The misclassifications were \$62,988 and \$13,708, respectively.
- For 2010, the Township recorded FEMA grant money as miscellaneous revenue instead of intergovernmental revenue. The Special Revenue Fund reclassification is \$83,976.

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Township's financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. Management can use the UAN handbook and the Ohio Township Handbook to aid in identifying proper account classifications.

The financial statements and client's ledgers have been adjusted accordingly.

Management Response:

Management will review all transactions in the future for proper recording.

**FRANKLIN TOWNSHIP  
COSHOCKTON COUNTY**

**SCHEDULE OF FINDINGS  
For the Years Ended December 31, 2011 and 2010**

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

**FINDING NUMBER 2011-FTCC-02**

**Material Weakness and Non-compliance Citation**

Ohio Rev. Code Section 5735.27 (A)(5)(d) requires gasoline tax monies received by a township to be used for the purpose of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the township, paying principal, interest, and charges on obligations incurred pursuant to Ohio Rev. Code Section 5531.09, and paying costs apportioned to the township under Ohio Rev. Code Section 4907.47.

Additionally, Ohio Rev. Code Section 4504.18 requires motor license vehicle tax monies received by a township to be used for the construction, reconstruction, improvement, maintaining traffic signs, markers, lights, and signals; for purchasing road machinery and equipment, and planning, constructing, and maintaining suitable buildings to house such equipment; for paying any costs apportioned to the township under section Ohio Rev. Code Section 4907.47.

During 2011, the Township paid \$21,285 for trash collection for the Township out of the Gasoline and Motor Vehicle License Tax Funds. Trash collection is a general service expenditure for the Township and is not an allowable expenditure using gasoline tax or motor vehicle license tax money. The Township should only pay allowable expenditures from the Gasoline and Motor Vehicle License Tax funds. The financial statements and Township records have been adjusted for proper presentation.

Management Response:

Management will only pay allowable expenditures out of the Gasoline and Motor Vehicle License Tax funds.

**FINDING NUMBER 2011-FTCC-03**

**Non-compliance Citation**

**Ohio Revised Code Section 5705.41 (B)** states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated and unless it has been appropriated as provided in such chapter.

At December 31, 2011, the following funds' expenditures exceeded total appropriation at the fund level:

2011  
Special Revenue Fund - Cemetery (\$22,992)

We recommend the Township better monitor its budgetary process on a regular basis to avoid expenditures from exceeding appropriations.

Management Response:

Management will regularly monitor all budgetary activity in the future.

**FRANKLIN TOWNSHIP  
COSHOCKTON COUNTY**

**SCHEDULE OF FINDINGS  
For the Years Ended December 31, 2011 and 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)</b>
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**FINDING NUMBER 2011-FTCC-04**

**Non-compliance Citation**

**Ohio Rev. Code Section 5705.41 (D) (1)** prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

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

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

**FRANKLIN TOWNSHIP  
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS  
For the Years Ended December 31, 2011 and 2010**

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

**FINDING NUMBER 2011-FTCC-04**

**Non-compliance Citation – (Continued)**

During 2011 and 2010, 27 of the 60 (45%) expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation, and none of the exceptions noted above were used for these transactions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's expenditures exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify expenditures prior to incurring the liability. The fiscal officer can implement the use of "Then and Now Certificates" and blanket purchase orders to help comply with the above regulation.

Management Response:

Management will strive to certify all disbursements prior the obligation.



**FRANKLIN TOWNSHIP  
COSHOCTON COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2011 and 2010**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Audit adjustments and reclassifications – Improperly allocated revenue and expenditures within funds	No	Repeated as 2011-FTCC-01
2009-002	Ohio Revised Code Section 5705.10 (C) – Township improperly allocated revenue derived from a special levy	Yes	Corrective Action Taken
2009-003	Ohio Revised Code Section 5705.41 (D) – Expenditures were not certified prior to incurring the obligation	No	Repeated as 2011-FTCC-04

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# Dave Yost • Auditor of State

FRANKLIN TOWNSHIP

COSHOCTON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 13, 2012