



Dave Yost • Auditor of State

FRANKLIN TOWNSHIP
SHELBY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Franklin Township
Shelby County
11095 County Road 25A
Sidney, Ohio 45365

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Franklin Township, Shelby County, (the Township) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Franklin Township, Shelby County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013, 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

October 22, 2013

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$49,054	\$132,123		\$181,177
Licenses, Permits and Fees	3,171	16,943		20,114
Intergovernmental	101,034	341,571		442,605
Earnings on Investments			\$8	8
Miscellaneous		10,061		10,061
Total Cash Receipts	<u>153,259</u>	<u>500,698</u>	<u>8</u>	<u>653,965</u>
Cash Disbursements:				
Current:				
General Government	92,297	29,385		121,682
Public Safety		147,603		147,603
Public Works	2,189	341,902		344,091
Health	12,316	19,708		32,024
Total Cash Disbursements	<u>106,802</u>	<u>538,598</u>		<u>645,400</u>
Excess of Receipts Over (Under) Disbursements	<u>46,457</u>	<u>(37,900)</u>	<u>8</u>	<u>8,565</u>
Fund Cash Balances, January 1	<u>473,067</u>	<u>682,589</u>	<u>3,675</u>	<u>1,159,331</u>
Fund Cash Balances, December 31:				
Non-spendable			1,200	1,200
Restricted		332,834	2,483	335,317
Committed		311,505		311,505
Assigned		350		350
Unassigned (Deficit)	519,524			519,524
Fund Cash Balances, December 31	<u>\$519,524</u>	<u>\$644,689</u>	<u>\$3,683</u>	<u>\$1,167,896</u>

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

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$43,852	\$128,364			\$172,216
Licenses, Permits and Fees	12,221	14,854			27,075
Intergovernmental	103,053	345,990	\$28,907		477,950
Earnings on Investments				\$15	15
Miscellaneous	5,346	8,410			13,756
Total Cash Receipts	<u>164,472</u>	<u>497,618</u>	<u>28,907</u>	<u>15</u>	<u>691,012</u>
Cash Disbursements					
Current:					
General Government	157,735	28,592			186,327
Public Safety		93,463			93,463
Public Works	613	271,475	28,907		300,995
Health	19,395	20,405			39,800
Total Cash Disbursements	<u>177,743</u>	<u>413,935</u>	<u>28,907</u>		<u>620,585</u>
Excess of Receipts Over (Under) Disbursements	<u>(13,271)</u>	<u>83,683</u>		<u>15</u>	<u>70,427</u>
Fund Cash Balances, January 1	<u>486,338</u>	<u>598,906</u>		<u>3,660</u>	<u>1,088,904</u>
Fund Cash Balances, December 31:					
Non-spendable				1,200	1,200
Restricted		394,014		2,475	396,489
Committed		288,225			288,225
Assigned		350			350
Unassigned (Deficit)	473,067				473,067
Fund Cash Balances, December 31	<u>\$473,067</u>	<u>\$682,589</u>	<u>\$0</u>	<u>\$3,675</u>	<u>\$1,159,331</u>

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

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

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

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, Shelby 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 and cemetery maintenance. The Township contracts with the Village of Anna and the City of Sidney Fire Department to provide fire protection services and the Village of Anna Rescue Squad to provide ambulance services.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Township values its certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fire District Fund - This fund receives proceeds from the property tax fire levy for providing fire protection services to Township residents.

Rescue Fund - This fund receives proceeds from the property tax rescue levy for providing ambulance rescue services to Township residents.

Cemetery Fund - This fund receives the proceeds of lot sales and related burial fees for the upkeep and maintenance of the cemeteries in the Township.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

OPWC Fund - The Township received a grant from the State of Ohio for a road project.

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Bequest Fund – Amounts donated are maintained in perpetuity. This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings can be used for the general maintenance and upkeep of the Township's cemeteries.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

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

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. CHANGE IN ACCOUNTING PRINCIPLE

For 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2012	2011
Demand deposits	\$1,165,696	\$1,157,131
Certificates of deposit	2,200	2,200
Total deposits	\$1,167,896	\$1,159,331

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$181,000	\$153,259	(\$27,741)
Special Revenue	515,000	500,698	(14,302)
Permanent	25	8	(17)
Total	\$696,025	\$653,965	(\$42,060)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 555,376	\$106,802	\$448,574
Special Revenue	836,883	538,598	298,285
Permanent			
Total	\$1,392,259	\$645,400	\$746,859

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

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

4. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 62,324	\$164,472	\$102,148
Special Revenue	139,056	497,618	358,562
Capital Projects		28,907	28,907
Permanent		15	15
Total	\$201,380	\$691,012	\$489,632

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 555,376	\$177,743	\$377,633
Special Revenue	824,574	413,935	410,639
Capital Projects		28,907	(28,907)
Permanent			
Total	\$1,379,950	\$620,585	\$759,365

5. PROPERTY TAX

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

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

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

6. RETIREMENT SYSTEMS

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

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

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township contracted with private insurance companies to provide property and casualty coverage with coverage as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Automobile Liability	\$5 00,000
General Liability	1,000,000
Inland Marine	21,228
Commercial Property	595,961
Public Officials Liability Police	2,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.



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
Shelby County
11095 County Road 25A
Sidney, Ohio 45365

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 Franklin Township, Shelby County, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and the Township adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings to be a significant deficiency.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

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

October 22, 2013

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Health Insurance Reimbursement and Allocation - Noncompliance Citation and Significant Deficiency

Ohio Revised Code Section 505.601 states that if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

- (A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.
- (B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.
- (C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

The Township reimbursed Township officials for insurance premiums; however, the Township did not adopt a resolution to approve to reimburse officials for out-of-pocket insurance premiums. Failure to adopt a resolution in accordance with the above code section for the reimbursement of insurance premiums will lead to findings for recovery in future audit periods.

Additionally, the reimbursement payments were not charged in the same allocation as officials' salaries. The Fiscal Officer's salary was paid entirely from the General Fund during 2011 and 2012; however, the insurance reimbursement was paid entirely from the Road and Bridge Fund. For 2011 and 2012, the Trustees' salaries were allocated 90% to the Road and Bridge Fund and 10% to the General Fund; however, the entire insurance reimbursement was made from the Road and Bridge Fund. In accordance with salary allocations, payments in the amounts of \$4,774 and \$4,813 for 2011 and 2012, respectively, should have been charged to the General Fund instead of the Road and Bridge Fund. The financial statements and client's accounting system have been modified to correct these errors.

The Township should adopt the required resolution stating that the Township has chosen to reimburse employees for out-of-pocket health insurance premiums. The resolution should conform to all of the requirements as noted in the code section above. Any reimbursement should be made in accordance with the resolution and adequate documentation should be maintained to support the reimbursement. Additionally, the Township should implement procedures to ensure that all insurance reimbursements are paid from funds in accordance with the officials' salary allocations.

FINDING NUMBER 2012-002

Accuracy of Financial Reporting – Material Weakness

The Township should have procedures and controls in place to help assure that all financial transactions are correctly recorded in the accounting records and financial statements to assist in reporting of financial activity and effective management of resources.

The following adjustments/reclassifications were necessary to correct financial statement errors:

2011

- Reclassifications from tax revenue to intergovernmental revenue for homestead & rollback, tangible personal property tax reimbursement, and gas/electric settlements were required for the following funds and amounts:
 - General Fund - \$75,205
 - Road and Bridge Fund - \$170,216
 - Fire District Fund - \$51,992
 - Rescue Levy Fund - \$31,590
- An OPWC Issue I township overpayment refund in the amount of \$31,993 was posted as licenses, permits, and fees within the General Fund, and it should have been posted as a reduction of the related expenditure. Additionally, OPWC Issue I funding that was paid directly to contractors on-behalf of the Township in the amount of \$28,907 should have been recorded as intergovernmental revenue and public works expenditure in the Capital Projects Fund; however, this activity was not recorded by the Township.
- Beginning fund balances were adjusted in order to agree to the 2010 audited ending fund balances. Fund balances on the Township's accounting system have been updated to correct these errors. The opinion units and amounts are listed below:
 - General Fund – (\$6,715)
 - Special Revenue - \$7,065
 - Permanent – (\$350)
- The August 2011 real estate tax settlement in the amount of \$12,115 was incorrectly posted to the Motor Vehicle License Tax Fund instead of the Fire District Fund. Fund balances on the Township's accounting system have been updated to correct this error.
- Investment income in the amount of \$11 was incorrectly posted to the Miscellaneous Special Revenue Fund and should have been posted to the Permanent Cemetery Fund. Fund balances on the Township's accounting system have been updated to correct this error.
- The Township improperly classified \$1,200 of the fund balance for the Permanent Fund as restricted fund balance, instead of non-spendable fund balance.

**FINDING NUMBER 2012-002
(Continued)**

2012

- The Township improperly posted a \$3,375 refund related to an overpayment as taxes revenue within the General Fund. This error was not adjusted on the financial statements.
- Reclassifications from tax revenue to intergovernmental revenue for homestead & rollback, tangible personal property tax reimbursement, and gas/electric settlements were required for the following funds and amounts:
 - General Fund - \$72,968
 - Road and Bridge Fund - \$164,347
 - Fire District Fund - \$50,317
 - Rescue Levy Fund - \$30,578
- Investment income in the amount of \$6 was incorrectly posted to the Miscellaneous Special Revenue Fund and should have been posted to the Permanent Cemetery Fund. Fund balances on the Township's accounting system have been updated to correct this error.
- The Township improperly classified the \$311,505 fund balance for the Road and Bridge Fund as restricted fund balance instead of committed fund balance.
- The Township improperly classified \$2,483 of fund balance for the Permanent Fund as non-spendable fund balance instead of restricted fund balance.

The failure to correctly classify financial activity in the accounting records and financial statements may impact a user's understanding of the financial operations, the Township's ability to make sound financial decisions, the Township's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner.

The Township should review the Ohio Township Handbook, Auditor of State Bulletins, and other resources for guidance in correctly classifying receipts, expenditures, and fund balances. Periodically, the Township should perform a review of the accounting records to help identify errors and/or irregularities in a timely manner.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC 5705.41(D) – Prior Certification Errors	Yes	
2010-002	ORC 505.24(C) – Allocation of Health Insurance Reimbursements	No	Repeated as Finding 2012-001



Dave Yost • Auditor of State

FRANKLIN TOWNSHIP

SHELBY 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 26, 2013**