



Dave Yost • Auditor of State

FRANKLIN TOWNSHIP
SHELBY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - Fiduciary Fund - For the Year Ended December 31, 2014	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - Fiduciary Fund - For the Year Ended December 31, 2013	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	17

This page intentionally left blank.



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 of the cash balances, receipts and disbursements by fund type, and related notes of Franklin Township, Shelby County, (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, 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, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 13, 2016

**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, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$118,914	\$373,078	\$491,992
Licenses, Permits and Fees	14,420	17,667	32,087
Intergovernmental	17,568	87,537	105,105
Earnings on Investments		1	1
Miscellaneous		13,990	13,990
Total Cash Receipts	<u>150,902</u>	<u>492,273</u>	<u>643,175</u>
Cash Disbursements:			
Current:			
General Government	102,660	20,040	122,700
Public Safety		121,488	121,488
Public Works	22,845	285,035	307,880
Health	13,703	20,059	33,762
Total Cash Disbursements	<u>139,208</u>	<u>446,622</u>	<u>585,830</u>
Excess of Receipts Over (Under) Disbursements	<u>11,694</u>	<u>45,651</u>	<u>57,345</u>
Fund Cash Balances, January 1	<u>578,684</u>	<u>807,440</u>	<u>1,386,124</u>
Fund Cash Balances, December 31			
Non-spendable		353	353
Restricted		461,350	461,350
Committed		391,388	391,388
Assigned	583,569		583,569
Unassigned (Deficit)	6,809		6,809
Fund Cash Balances, December 31	<u>\$590,378</u>	<u>\$853,091</u>	<u>\$1,443,469</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)
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Private Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments	<u>\$2</u>
Total Operating Cash Receipts	<u>2</u>
Operating Income (Loss)	<u>2</u>
Fund Cash Balances, January 1	<u>3,687</u>
Fund Cash Balances, December 31	<u><u>\$3,689</u></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, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$112,584	\$372,160	\$484,744
Licenses, Permits and Fees	24,006	18,305	42,311
Intergovernmental	17,858	94,164	112,022
Earnings on Investments		2	2
Miscellaneous		9,840	9,840
Total Cash Receipts	<u>154,448</u>	<u>494,471</u>	<u>648,919</u>
Cash Disbursements:			
Current:			
General Government	60,446	26,752	87,198
Public Safety		134,281	134,281
Public Works	11,067	151,922	162,989
Health	23,775	18,763	42,538
Total Cash Disbursements	<u>95,288</u>	<u>331,718</u>	<u>427,006</u>
Excess of Receipts Over (Under) Disbursements	<u>59,160</u>	<u>162,753</u>	<u>221,913</u>
Fund Cash Balances, January 1	<u>519,524</u>	<u>644,687</u>	<u>1,164,211</u>
Fund Cash Balances, December 31:			
Non-spendable		352	352
Restricted		410,106	410,106
Committed		396,982	396,982
Assigned			
Unassigned (Deficit)	578,684		578,684
Fund Cash Balances, December 31	<u>\$578,684</u>	<u>\$807,440</u>	<u>\$1,386,124</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)
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Private Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$4
Total Operating Cash Receipts	<u>4</u>
Operating Income (Loss)	<u>4</u>
Fund Cash Balances, January 1	<u>3,683</u>
Fund Cash Balances, December 31	<u><u>\$3,687</u></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, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Franklin Township, 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 to provide fire services and the 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits 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, 2014 AND 2013
(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 to pay for fire protection services provided to the Township's residents.

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

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

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of certain individuals.

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. 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not adopt appropriations as required by Ohio law therefore there were no appropriations in place to encumber during 2014 and 2013.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

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:

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2014	2013
Demand deposits	\$1,444,958	\$1,387,611
Certificates of deposit	2,200	2,200
Total deposits	\$1,447,158	\$1,389,811

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,025	\$150,902	\$99,877
Special Revenue	226,000	492,273	266,273
Fiduciary		2	2
Total	\$277,025	\$643,177	\$366,152

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$139,208	(\$139,208)
Special Revenue		446,622	(446,622)
Fiduciary			
Total	\$0	\$585,830	(\$585,830)

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$153,258	\$154,448	\$1,190
Special Revenue	500,704	494,471	(6,233)
Fiduciary	2	4	2
Total	\$653,964	\$648,923	(\$5,041)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$95,288	(\$95,288)
Special Revenue		331,718	(331,718)
Fiduciary			
Total	\$0	\$427,006	(\$427,006)

Contrary to Ohio law, the Township did not adopt appropriations in 2014 or 2013. Consequently budgetary expenditures across all funds exceeded appropriation authority by \$585,830 and \$427,006 for the years ended December 31, 2014 and 2013, respectively.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. PROPERTY TAX

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

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.

5. 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 2014 and 2013, 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, 2014.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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.

This page intentionally left blank.



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 the cash balances, receipts, and disbursements by fund type of the Franklin Township, Shelby County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated May 13, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 2014-002 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 2014-001 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 2014-001.

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.



Dave Yost
Auditor of State
Columbus, Ohio

May 13, 2016

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance and Significant Deficiency

Ohio Rev. Code §5705.38(A) provides, 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.

Ohio Revised Code §5705.40, in part, states that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them.

Rulings filed in the case of *C. B. Transportation, Inc. v. Butler County Board of Mental Retardations*, *60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979)*, as well as *Burkholder v. Lauber, 6 Ohio Misc. 152 (1965)*, held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a local government's governing board would be prohibited from delegating duties statutorily assigned to it, such as the ability to amend appropriations as provided for in Ohio Rev. Code §5705.40.

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

The Township Trustees did not adopt temporary or permanent appropriation measures in 2014 or 2013. The appropriations submitted to the County Budget Commission of \$1,391,191 and \$1,307,814 in 2014 and 2013, respectively, were completed by the Township Fiscal Officer and there was no indication of Trustee review or approval of the amounts submitted. Consequently, all the Township's expenditures in 2014 and 2013 were in excess of appropriations as there were no legal appropriations in place.

Policies and procedures should be established and implemented to verify that the Township's appropriations, including any amendments, are approved by the Trustees. Failure to obtain requisite approval renders the appropriations illegal and could result in expenditures made by the Township being deemed unallowable by the courts.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2014-002

Material Weakness

The Township presented its 2014 and 2013 financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. The following errors noted in the Township's financial statements were determined to be qualitatively or quantitatively material and required audit adjustments to properly present the Township's financial activity:

FINDING NUMBER 2014-002

- The Township did not classify subsequent year appropriations in excess of estimated receipts as assigned fund balance within the general fund therefore understated assigned and overstated unassigned balance by \$583,569 in the General fund in 2014.
- The Township recorded refunds received from retirement systems and the IRS and homestead and rollback received from the state as property and other local taxes rather than as reduction of expenditures and intergovernmental receipts therefore overstated property and other local taxes and general government disbursements and understated intergovernmental receipts by \$7,535, \$2,840, and \$4,695, respectively, in the General fund in 2013.
- The Township reported three bequests in a permanent fund in 2014 and 2013. The last will and testament for one of the bequests specified the funds were for the benefit of outside parties (individuals) rather than for the benefit of the Township therefore the bequest should have been classified as a private purpose trust fund. No documentation was provided for the remaining bequests; however, the Township Trustees agreed that all three bequests should be reported as private purpose trust funds rather than permanent funds. Additionally, the Township did not use separate funds in the accounting system to track each bequest, they were all reported in one permanent fund. For the year ended December 31, 2014 beginning balance, earnings on investments, and end balance of \$3,687, \$2, and \$3,689, respectively, were moved from permanent to private purpose trust fund. For the year ended December 31, 2013 beginning balance, earnings on investments, and end balance of \$3,683, \$4, and \$3,687, respectively, were moved from permanent to private purpose trust fund.

The following errors noted in the Township's financial statements were determined to be immaterial and did not require adjustments to properly present the Township's financial activity:

- The Township recorded estate taxes, refunds received from retirement system and the IRS, and homestead and rollback received from the state as property and other local taxes rather than estate taxes, reduction of expenditures, and intergovernmental receipts therefore overstated property and other local taxes and general government disbursements and understated cash, intergovernmental receipts, and estate taxes by \$6,154, \$350, \$1,810, \$4,804, and \$2,810, respectively, in the General fund in 2014.
- The Township posted refunds received as revenue rather than reduction of expenditure therefore overstated intergovernmental receipts and understated general government disbursements by \$6,568 and \$1,033 in the General fund in 2014 and 2013, respectively.
- The Township recorded homestead and rollback received from the state as property and other local taxes rather than intergovernmental receipts and recorded estate tax to the special revenue rather than general fund therefore overstated property and other local taxes and cash and understated intergovernmental receipts by \$12,330, \$1,810, and \$10,520, respectively, in the Special Revenue funds in 2014.
- The Township recorded homestead and rollback received from the state as property and other local taxes rather than intergovernmental receipts therefore overstated property and other local taxes and understated intergovernmental receipts by \$10,462 in the Special Revenue funds in 2013.

Policies and procedures should be established and implemented to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

Official's Response:

We did not receive a response from Officials to this finding.

**FRANKLIN TOWNSHIP
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Health Insurance Reimbursement and Allocation	No	Partially Corrected, Repeated in Management Letter
2012-002	Accuracy of Financial Reporting	No	Repeated as Finding 2014-002

This page intentionally left blank.



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
JUNE 2, 2016**