



**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**REGULAR AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2011 & 2010**



Dave Yost • Auditor of State

Board of Trustees
Franklin Township
218 Gougler Avenue
Kent, Ohio 44240

We have reviewed the *Independent Accountants' Report* of Franklin Township, Portage County, prepared by Canter & Associates, 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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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

May 8, 2012

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**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Franklin Township
Portage County
218 Gougler Avenue
Kent, Ohio 44240

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Portage County, (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, the Township 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 reporting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require 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 the Township 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 the Township 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, Portage County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2010 Franklin Township 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 February 21, 2012, on our consideration of the Government'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.



Canter & Associates

Poland, Ohio

February 21, 2012

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$170,431	\$754,275	\$0	\$0	\$924,706
Intergovernmental	117,223	426,609	0	221,808	765,640
Licenses, Permits, and Fees	88,247	998	0	0	89,245
Special Assessments	767	0	0	0	767
Earnings on Investments	7,467	1,551	0	0	9,018
Miscellaneous	24,882	0	0	0	24,882
Total Cash Receipts	409,017	1,183,433	0	221,808	1,814,258
Cash Disbursements:					
Current:					
General Government	183,600	0	0	0	183,600
Public Safety	45,500	406,175	0	0	451,675
Public Works	80,845	640,500	0	0	721,345
Health	62,133	0	0	0	62,133
Conservation/Recreation	9,250	0	0	0	9,250
Capital Outlay	412	99,913	0	434,260	534,585
Debt Service - Principal Retirement	0	0	10,000	0	10,000
Total Cash Disbursements	381,740	1,146,588	10,000	434,260	1,972,588
Excess of Receipts Over/(Under) Disbursements	27,277	36,845	(10,000)	(212,452)	(158,330)
Other Financing Receipts/(Disbursements):					
Advances In	104,444	85,000	0	237,036	426,480
Advances Out	(116,944)	(120,092)	0	(189,444)	(426,480)
Transfers In	0	0	10,000	104,000	114,000
Transfers Out	(114,000)	0	0	0	(114,000)
Total Other Financing Receipts/(Disbursements)	(126,500)	(35,092)	10,000	151,592	0
<i>Net Change in Fund Cash Balances</i>	(99,223)	1,753	0	(60,860)	(158,330)
Fund Cash Balances, January 1	704,187	986,166	0	78,932	1,769,285
Fund Cash Balances, December 31:					
Restricted	0	593,367	0	79	593,446
Committed	0	394,552	0	17,993	412,545
Assigned	3,841	0	0	0	3,841
Unassigned	601,123	0	0	0	601,123
Total Fund Cash Balances, December 31	\$604,964	\$987,919	\$0	\$18,072	\$1,610,955

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

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$167,579	\$734,462	\$0	\$0	\$902,041
Intergovernmental	268,288	419,419	0	0	687,707
Licenses, Permits, and Fees	87,638	1,793	0	0	89,431
Special Assessments	17,723	0	0	0	17,723
Earnings on Investments	9,385	1,929	0	0	11,314
Miscellaneous	31,013	0	0	0	31,013
Total Cash Receipts	581,626	1,157,603	0	0	1,739,229
Cash Disbursements:					
Current:					
General Government	183,305	0	0	0	183,305
Public Safety	44,464	431,588	0	0	476,052
Public Works	74,233	569,079	0	0	643,312
Health	61,475	0	0	0	61,475
Conservation/Recreation	16,402	0	0	0	16,402
Capital Outlay	0	19,544	0	1,068	20,612
Debt Service - Principal Retirement	55,421	0	20,000	4,579	80,000
Total Cash Disbursements	435,300	1,020,211	20,000	5,647	1,481,158
Excess of Receipts Over/(Under) Disbursements	146,326	137,392	(20,000)	(5,647)	258,071
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	824	2,500	0	0	3,324
Transfers In	0	0	20,000	80,000	100,000
Transfers Out	(100,000)	0	0	0	(100,000)
Total Other Financing Receipts/(Disbursements)	(99,176)	2,500	20,000	80,000	3,324
<i>Net Change in Fund Cash Balances</i>	47,150	139,892	0	74,353	261,395
Fund Cash Balances, January 1 - Restated (See Note 2)	657,037	846,274	0	4,579	1,507,890
Fund Cash Balances, December 31					
Restricted	0	638,322	0	78,932	717,254
Committed	0	347,844	0	0	347,844
Assigned	3,849	0	0	0	3,849
Unassigned	700,338	0	0	0	700,338
Total Fund Cash Balances, December 31	\$704,187	\$986,166	\$0	\$78,932	\$1,769,285

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

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 the Franklin Township, Portage 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 general services. The Township contracts with the City of Kent to provide fire services and Emergency Medical Services to the residents of Franklin Township.

Joint Venture and Public Entity Risk Pool

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

The Township participates in one joint venture and one public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities, which are;

Joint Venture – The Kent-Franklin Joint Economic Development District (JEDD) – During 2006, the Franklin Township Board of Trustees approved the formation of this JEDD with the City of Kent. The parties have entered into a contract to create and provide for the operation of the JEDD in accordance with Sections 715.72 through 715.83 of the Ohio Revised Code. The purpose of this JEDD is to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Portage County, Franklin Township and the City of Kent.

Public Entity Risk Pool – Ohio Township Association Risk Management Authority (OTARMA) – The risk sharing pool, available to Ohio Townships provides property and casualty insurance for its members. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

C. Cash 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. Certificates of deposit are valued 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Fire Levy Fund - This fund receives property tax money for contracting with the City of Kent for fire protection services.

3. Debt Service Fund

This fund accounts for resources the Township accumulates to pay note debt. The Township had the following significant Debt Service Fund:

General Obligation Note Retirement Fund – This fund receives transfers from the general fund annually, to pay for the Townships general obligation debt.

4. Capital Projects Funds

These funds account for resources restricted, committed or assigned for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Funds:

Ohio Public Works Commission Fund – The Township received a grant from the State of Ohio in a prior year to repair and construct Rhodes Road and Horning Road, respectively.

Powdermill Road Fund – The Township received a grant from the Ohio Public Works Commission in the amount of \$201,900 to be used for various road improvements to Powdermill Road.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 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. Nonspendable

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

2. Restricted

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

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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.

2. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND EQUITY

During our audit it was determined that in prior years, interest revenue was incorrectly credited to the fire levy special revenue fund in the amount of \$30,391 and to the road and bridge special revenue fund in the amount of \$1,509. Per Ohio Revised Code Section 5705.10(D) the interest should have been credited to the general fund.

For 2010, the Township also reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 and the re-allocation of interest had the following effect on fund balances previously reported:

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

	Fund Balance at 12/31/09	GASB 54 Change in Fund Structure	Interest Re-Allocation	Adjusted Fund Balance at 12/31/09
General	\$623,896	\$1,241	\$31,900	\$657,037
Special Revenue	879,415	(1,241)	(31,900)	846,274
Debt Service	0	0	0	0
Capital Projects	4,579	0	0	4,579
Total	\$1,507,890	\$0	\$0	\$1,507,890

3. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Demand deposits	\$281,454	\$848,706
Certificates of deposit	1,329,501	920,579
Total deposits	\$1,610,955	\$1,769,285

Deposits: Deposits are either 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, 2011 and 2010 follows:

Fund Type	2011 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$398,939	\$409,017	\$10,078
Special Revenue	1,108,995	1,183,433	74,438
Debt Service	10,000	10,000	0
Capital Projects	988,619	325,808	(662,811)
Total	\$2,506,553	\$1,928,258	(\$578,295)

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	*Budgetary Expenditures	Variance
General	\$732,876	\$495,858	\$237,018
Special Revenue	1,733,153	1,146,588	586,565
Debt Service	10,000	10,000	0
Capital Projects	1,067,551	434,260	633,291
Total	<u>\$3,543,580</u>	<u>\$2,086,706</u>	<u>\$1,456,874</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$486,521	\$582,450	\$95,929
Special Revenue	1,131,638	1,160,103	28,465
Debt Service	20,000	20,000	0
Capital Projects	300,000	80,000	(220,000)
Total	<u>\$1,938,159</u>	<u>\$1,842,553</u>	<u>(\$95,606)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	*Budgetary Expenditures	Variance
General	\$620,818	\$535,426	\$85,392
Special Revenue	1,346,642	1,021,778	324,864
Debt Service	20,000	20,000	0
Capital Projects	84,579	5,647	78,932
Total	<u>\$2,072,039</u>	<u>\$1,582,851</u>	<u>\$489,188</u>

*The budgetary basis expenditures presented in the tables above include encumbrances outstanding at year-end.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

6. DEBT

At December 31, 2010 and 2011, the principal balance remaining on the Township's Ohio Public Works Commission loan was \$10,000 and \$0, respectively. The Township made principal payments totaling \$80,000 in 2010, \$60,000 of which was early, and the final payment of \$10,000 was made in 2011 in order to pay off the OPWC loan early.

7. 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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10 percent of their gross salaries. The Township contributed an amount equaling 14 percent of participants' gross salaries for both years. The Township has paid all contributions required through December 31, 2011.

8. JOINT VENTURE

The Kent-Franklin Joint Economic Development District (JEDD) – The Kent-Franklin Joint Economic Development District was a contract entered into by Franklin Township and the City of Kent in June 2006, in accordance with Ohio Revised Code Sections 715.72 through 715.83 for their mutual benefit and the for the benefit of their residents. The JEDD was created to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Portage County, Franklin Township and the City of Kent. The Township and the City each agreed to contribute to the development and operation of the District. The land of the JEDD is situated within the Township limits, and utility services are provided by the City. A mutual aid agreement between the Township and City for police and fire protection will be maintained for the District. A five member appointed Board of Directors as provided by Ohio Revised Code Section 715.78(A)(1)(a) through (e) are appointed to govern the District. The Township and City shall adopt by-laws for the regulation of the affairs of the Board and the conduct of business.

The JEDD Board adopted a resolution at its first meeting to levy an income tax in the District at a rate of 1.0 percent until December 31, 2011, inclusive, thereafter at a rate of 2.0 percent until December 31, 2016, inclusive. On and after January 17, 2017, the rate shall remain at 2.0 percent until it is changed by the Board through resolution.

All obligations of the District to an outside party take precedence over other obligations, debts or liabilities of the District. Once obligations are met, the remaining income tax revenues shall be distributed to the Township and the City at 45 percent and 55 percent, respectively.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

9. RISK MANAGEMENT

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010 (the latest information available), OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2010, 2009 and 2008, the latest information available.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets	\$35,855,252	\$38,982,088	\$40,737,740
Liabilities	(10,664,724)	(12,880,766)	(12,981,818)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>	<u>\$27,755,922</u>

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

At December 31, 2010, 2009 and 2008, respectively, liabilities noted above include approximately \$9.9 million, \$12.0 million and \$12.1 million of estimated incurred claims payable. The assets and net assets above also include approximately \$9.5 million, \$11.5 million and \$10.9 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$22,553.

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

<u>Contributions to OTARMA</u>	
2009	\$22,769
2010	22,693
2011	30,477

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



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

Franklin Township
Portage County
218 Gougler Avenue
Kent, Ohio 44240

To the Board of Trustees:

We have audited the financial statements of Franklin Township, Portage County, (the Township) as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated February 21, 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 and also noted the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2010. 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 Comptroller General of the United States' *Government Auditing Standards*.

Internal Control 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 auditing 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated February 21, 2012.

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



Canter & Associates

Poland, Ohio

February 21, 2012

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Posting Receipts to the Wrong Funds	Yes	Fully Corrected
2008-002	Ohio Revised Code Section 5705.39	Yes	Fully Corrected



Dave Yost • Auditor of State

FRANKLIN TOWNSHIP

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 22, 2012**