

**FRANKLIN TOWNSHIP
PORTAGE COUNTY, OHIO**

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012



Dave Yost • Auditor of State

Board of Trustees
Franklin Township
218 Gougler Avenue
Kent, Ohio 44249

We have reviewed the *Independent Auditor's Report* of Franklin Township, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

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

September 3, 2014

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**FRANKLIN TOWNSHIP
PORTAGE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2013 and 2012**

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INDEPENDENT AUDITOR'S REPORT

Franklin Township
Portage County
218 Gougler Avenue
Kent, Ohio 44249

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Franklin Township, Portage County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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, to satisfy requirements.

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, 2013 and 2012, 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, Portage County as of December 31, 2013 and 2012, 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 July 25, 2014, 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.



CHARLES E. HARRIS & ASSOCIATES, INC.
July 25, 2014

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 180,798	\$ 784,955	-	\$ 965,753
Charges For Services	-	861	-	861
Intergovernmental	316,700	559,451	\$ 6,125	882,276
Fees, Fines, Licenses & Permits	100,570	-	-	100,570
Earnings on Investments	954	14	-	968
Miscellaneous	33,974	3,131	-	37,105
Total Cash Receipts	632,996	1,348,412	6,125	1,987,533
Cash Disbursements:				
Current:				
General Government	208,793	-	-	208,793
Public Safety	58,415	521,809	-	580,224
Public Works	89,161	458,943	-	548,104
Health	55,871	-	-	55,871
Conservation-Recreation	18,158	-	-	18,158
Capital Outlay	843	19,302	76,683	96,828
Total Cash Disbursements	431,241	1,000,054	76,683	1,507,978
Total Receipts Over/(Under) Disbursements	201,755	348,358	(70,558)	479,555
Other Financing Sources/(Uses):				
Sale of Capital Assets	-	18,500	-	18,500
Transfers-In	-	150,000	74,845	224,845
Transfers-Out	(34,845)	(150,000)	(40,000)	(224,845)
Total Other Financing Sources/(Uses)	(34,845)	18,500	34,845	18,500
Net Change in Fund Cash Balance	166,910	366,858	(35,713)	498,055
Fund Cash Balance, January 1	406,964	481,891	41,875	930,730
Fund Cash Balance, December 31				
Restricted	-	848,749	6,162	854,911
Unassigned	573,874	-	-	573,874
Fund Cash Balance, December 31	\$ 573,874	\$ 848,749	\$ 6,162	\$ 1,428,785

See accompanying Notes to the Financial Statements.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 183,280	\$ 789,255	-	\$ 972,535
Intergovernmental	263,615	418,243	-	681,858
Fees, Fines, Licenses & Permits	126,018	-	-	126,018
Special Assessments	1,175	-	-	1,175
Earnings on Investments	3,658	2,019	-	5,677
Miscellaneous	22,949	3,320	\$ 35,092	61,361
Total Cash Receipts	600,695	1,212,837	35,092	1,848,624
Cash Disbursements:				
Current:				
General Government	219,960	-	-	219,960
Public Safety	47,267	443,351	-	490,618
Public Works	59,250	533,135	-	592,385
Health	61,408	-	-	61,408
Conservation-Recreation	10,744	-	-	10,744
Capital Outlay	100,168	413,661	640,114	1,153,943
Total Cash Disbursements	498,797	1,390,147	640,114	2,529,058
Total Receipts Over/(Under) Disbursements	101,898	(177,310)	(605,022)	(680,434)
Other Financing Sources/(Uses):				
Transfers-In	-	14,783	642,000	656,783
Transfers-Out	(300,000)	(342,000)	(14,783)	(656,783)
Advances-In	15,000	71,414	36,700	123,114
Advances-Out	(15,000)	(73,022)	(35,092)	(123,114)
Total Other Financing Sources/(Uses)	(300,000)	(328,825)	628,825	-
Net Change in Fund Cash Balance	(198,102)	(506,135)	23,803	(680,434)
Fund Cash Balance, January 1	605,066	988,026	18,072	1,611,164
Fund Cash Balance, December 31				
Restricted	-	237,681	1,875	239,556
Committed	-	243,981	40,000	283,981
Unassigned	406,851	-	-	406,851
Fund Cash Balance, December 31	\$ 406,964	\$ 481,891	\$ 41,875	\$ 930,730

See accompanying Notes to the Financial Statements.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

Franklin Township, Portage County, (The Township) is a body politic and corporate established in Ohio to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township has also elected a Fiscal Officer to oversee finances and records. 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 public entity risk pool and one joint venture. Notes 6 and 7 to the financial statements provides additional information for these entities, which are;

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.

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.

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.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies (continued)

C. Deposits and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Township 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant special revenue funds:

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

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

3. Capital Projects Funds

These funds are used for large capital projects, such as buildings, equipment, and other major projects. The following is the significant capital projects fund:

Hudson Road North Fund – This fund accounts for monies set aside by the Board of Trustees specifically for major capital improvements to Hudson Road.

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.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies (continued)

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 commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2013 and 2012 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:

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

The Board of Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Board amends 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 the Board of Trustees or a Township official delegated that authority by resolution, or by State Statute.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies (continued)

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

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2013	2012
Demand Deposits	\$ 1,428,785	\$ 537,811
Total Deposits	1,428,785	537,811
Investments		
Certificates of Deposit	-	392,919
Total Investments	-	392,919
Total Deposits and Investments	\$ 1,428,785	\$ 930,730

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

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2013 and 2012 was as follows:

2013 Budget vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 374,450	\$ 632,996	\$ 258,546
Special Revenue	1,521,696	1,516,912	(4,784)
Capital Projects	572,500	80,970	(491,530)
Total	\$ 2,468,646	\$ 2,230,878	\$ (237,768)

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 573,593	\$ 466,086	\$ 107,507
Special Revenue	1,337,813	1,150,054	187,759
Capital Projects	562,500	116,683	445,817
Total	\$ 2,473,906	\$ 1,732,823	\$ 741,083

2012 Budget vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 369,450	\$ 600,695	\$ 231,245
Special Revenue	1,206,275	1,227,620	21,345
Capital Projects	840,800	677,092	(163,708)
Total	\$ 2,416,525	\$ 2,505,407	\$ 88,882

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

3. Budgetary Activity (continued)

2012 Budgeted vs Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 605,242	\$ 798,797	\$ (193,555)
Special Revenue	1,708,850	1,732,147	(23,297)
Capital Projects	905,662	654,897	250,765
Total	\$ 3,219,754	\$ 3,185,841	\$ 33,913

4. Property Taxes

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20. In certain circumstances, State statute permits alternate payment dates to be established.

Public utility 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.

5. Retirement Systems

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2013 and 2012, members of OP&F participants contributed 10% of their wages, and increased to 10.75% after July 1, 2013. The Township contributed an amount equal to 24% of their wages to OP&F. OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2013 and 2012. The Township has paid all contributions required through December 31, 2013.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

6. 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.). York functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$16,000.

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

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

6. Risk Management (continued)

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$29,195	\$29,962

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

7. 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 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.

8. Debt

There was no outstanding debt in 2013.

9. Restatement of Prior Year Fund Balances

Due to 2011 checks voided in 2012, the beginning fund balances were changed from the prior year audit report in the General Fund and various Special Revenue funds.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

10. Interfund Transactions

During 2012 and 2013, the Township made various transfers and advances to subsidize operations and to provide for capital expenditures. Certain transfers were approved retroactively, contrary to Ohio Revised Code sections 5705.14, 5705.15, and 5705.16.

11. Contingent Liabilities/Subsequent Events

Management believes there are no significant pending claims or lawsuits.

12. Budgetary Noncompliance

- The Township had expenditures in excess of appropriations in 2013 and 2012, contrary to Ohio Revised Code Section 5705.41(B).
- Contrary to the Ohio Revised Code Section 5705.39 the Township had appropriations in excess of estimated resources is several funds in 2012.

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

INDEPENDENT AUDITOR'S 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 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, Portage County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2014, 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-04 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

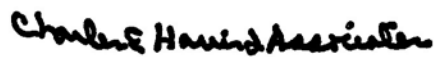
As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2013-01, 2013-02 and 2013-03.

Entity's Responses to Findings

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

Purpose of this Report

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



CHARLES E. HARRIS & ASSOCIATES, INC.

July 25, 2014

FRANKLIN TOWNSHIP
PORTAGE COUNTY

Schedule of Findings
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2013-01 – Noncompliance

Expenditures Plus Encumbrances Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2012, the General Fund total expenditures and encumbrances of \$798,797 exceeded total appropriations of \$605,242 by \$193,555. The Special Revenue Road and Bridge Fund total expenditures and encumbrances of \$701,412 exceeded total appropriations of \$690,750 by \$10,662. The Special Revenue JEDD Fund total expenditures and encumbrances of \$403,038 exceeded total appropriations of \$310,000 by \$93,038

During 2013, the Special Revenue Motor Vehicle License Fund total expenditures and encumbrances of \$7,813 exceeded total appropriations of \$5,000 by \$2,813.

The Fiscal Officer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid overspending.

Finding Number 2013-02 – Noncompliance

Approval of Transfers

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any fund of the subdivision by resolution of the taxing authority or from one fund to another as is specifically authorized in Ohio Rev. Code Section 5705.14. During 2012 and 2013, the Township made numerous transfers prior to the Board of Trustees approving the resolution authorizing the transfer. At a later date, the Board of Trustees, retroactively approved the transfers that had already been made.

We recommend the Township refer to the Ohio Revised Code Section 5705.14, 5705.15, and 5705.16 prior to making transfers and make transfers accordingly. Approval of transfers should be made prior to the actual transfer of funds.

Finding Number 2013-03 – Noncompliance

Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

FRANKLIN TOWNSHIP
PORTAGE COUNTY

Schedule of Findings – (continued)
December 31, 2013 and 2012

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

Finding Number 2013-03 – Noncompliance (continued)

At December 31, 2012, the following fund's total appropriations exceeded total estimated resources:

Special Revenue Fund:
Fire Fund (\$3,826)

Capital Projects Fund:
NOPEC Streetlight Improvements (\$46,789)

The Fiscal Officer should monitor appropriations and estimated resources on a regular basis and make modifications accordingly.

Finding Number 2013-04 - Material Weakness

Our testing revealed several instances where errors were made with respect to the posting and reporting of various transactions. During 2012 and 2013, these misclassifications included, but were not limited to, the following:

- During 2013, Homestead and Rollback monies were misclassified as Property Taxes revenue instead of Intergovernmental revenue.
- During 2012 and 2013, JEDD monies were misclassified as Property Taxes revenue instead of Intergovernmental revenue.
- During 2013, several expenditures were misclassified as a Transfer Out instead of General Government, Public Safety, and Public Works.
- During 2012 and 2013, various refunds and reimbursements were misclassified as other financing sources instead of Miscellaneous revenue.

Management agrees with these adjustments and they were adjusted in the Village's records and the accompanying financial statements.

We recommend the Village use more caution to ensure all activities of the Village are recorded accurately. Management should refer to the Ohio Township Handbook, the Uniform Accounting Network and the Auditor of State website to ensure proper fund and account classification.

Management's Responses:

Management has streamlined its budgetary process and will regularly monitor all budgetary activity going forward. Also, management will review the above stated guidance prior to posting transactions in the future. Management is confident that the above findings will not be duplicated in future audits.

FRANKLIN TOWNSHIP
PORTAGE COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

The prior audit report, for the years ending December 31, 2011 and 2010, reported no material citations or recommendations.



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
SEPTEMBER 16, 2014**