



**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**REGULAR AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2007 & 2006**



Mary Taylor, CPA

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 and Company, for the audit period January 1, 2006 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 27, 2009

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**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

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4800 Belmont Avenue, Suite C
Youngstown, Ohio 44505-1072
Ph: 330.759.6761
Fax: 330.759.6764

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, 2007 and 2006. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 (and 2006), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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, 2007 and 2006 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, 2007 and 2006, 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 and reserves for encumbrances of Franklin Township, Portage County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Canter and Company

January 6, 2009

**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, 2007**

	<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	\$169,235	\$734,650	\$0	\$0	\$903,885
Intergovernmental	211,283	334,559	0	0	545,842
Licenses, Permits, and Fees	74,125	3,698	0	0	77,823
Earnings on Investments	54,730	11,962	0	0	66,692
Miscellaneous	26,838	15,335	0	0	42,173
Total Cash Receipts	536,211	1,100,204	0	0	1,636,415
Cash Disbursements:					
Current:					
General Government	177,069	11,661	0	0	188,730
Public Safety	59,478	442,226	0	0	501,704
Public Works	259,564	564,504	0	0	824,068
Health	55,354	0	0	0	55,354
Conservation/Recreation	77,749	0	0	0	77,749
Contract Services	0	11,277	0	0	11,277
Debt Service - Principal Retirement	0	0	20,000	0	20,000
Total Cash Disbursements	629,214	1,029,668	20,000	0	1,678,882
Total Receipts Over/(Under) Disbursements	(93,003)	70,536	(20,000)	0	(42,467)
Other Financing Receipts/(Disbursements):					
Transfers In	0	12,500	20,000	0	32,500
Transfers Out	(32,500)	0	0	0	(32,500)
Total Other Financing Receipts/(Disbursements)	(32,500)	12,500	20,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(125,503)	83,036	0	0	(42,467)
Fund Cash Balances, January 1	743,357	816,338	0	4,579	1,564,274
Fund Cash Balances, December 31	\$617,854	\$899,374	\$0	\$4,579	\$1,521,807
Reserve for Encumbrances, December 31	\$35,976	\$61,863	\$0	\$0	\$97,839

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, 2006**

	<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	\$159,155	\$742,964	\$0	\$0	\$902,119
Intergovernmental	615,212	207,090	0	0	822,302
Licenses, Permits, and Fees	61,360	6,521	0	0	67,881
Earnings on Investments	21,497	2,982	0	0	24,479
Miscellaneous	52,311	11,433	0	0	63,744
Total Cash Receipts	909,535	970,990	0	0	1,880,525
Cash Disbursements:					
Current:					
General Government	210,856	8,553	0	0	219,409
Public Safety	41,331	332,112	0	0	373,443
Public Works	24,575	638,844	0	0	663,419
Health	51,458	0	0	0	51,458
Conservation/Recreation	39,165	0	0	0	39,165
Contract Services	0	10,000	0	0	10,000
Public Works	0	0	0	135	135
Debt Service - Principal Retirement	0	0	20,000	0	20,000
Total Cash Disbursements	367,385	989,509	20,000	135	1,377,029
Total Receipts Over/(Under) Disbursements	542,150	(18,519)	(20,000)	(135)	503,496
Other Financing Receipts/(Disbursements):					
Transfers In	0	28,500	20,000	0	48,500
Transfers Out	(48,500)	0	0	0	(48,500)
Total Other Financing Receipts/(Disbursements)	(48,500)	28,500	20,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	493,650	9,981	0	(135)	503,496
Fund Cash Balances, January 1	249,707	806,357	0	4,714	1,060,778
Fund Cash Balances, December 31	\$743,357	\$816,338	\$0	\$4,579	\$1,564,274
Reserve for Encumbrances, December 31	\$111,165	\$25,000	\$0	\$0	\$136,165

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

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 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 7 and 8 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.

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, 2007 AND 2006**

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 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 Funds

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

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

4 Capital Projects Funds

This fund accounts for resources restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Fund:

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.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 2007 and 2006 budgetary activity appears in Note 3.

F. 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.

G. 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. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$366,776	\$514,274
Certificates of deposit	1,155,031	1,050,000
Total deposits and investments	<u>\$1,521,807</u>	<u>\$1,564,274</u>

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

Certificates of Deposit are held by the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$389,683	\$536,211	\$146,528
Special Revenue	923,500	1,112,704	189,204
Debt Service	20,000	20,000	0
Total	\$1,333,183	\$1,668,915	\$335,732

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,032,939	\$697,690	\$335,249
Special Revenue	1,664,337	1,091,531	572,806
Debt Service	20,000	20,000	0
Total	\$2,717,276	\$1,809,221	\$908,055

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$823,403	\$909,535	\$86,132
Special Revenue	1,055,627	999,490	(56,137)
Debt Service	20,000	20,000	0
Total	\$1,899,030	\$1,929,025	\$29,995

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,073,010	\$527,050	\$545,960
Special Revenue	1,786,384	1,014,509	771,875
Debt Service	20,000	20,000	0
Capital Projects	0	135	(135)
Total	\$2,879,394	\$1,561,694	\$1,317,700

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Compliance: At December 31, 2006, the Zoning special revenue fund (#13) and the Issue II capital projects fund (#30B) had total expenditures plus encumbrances in excess of appropriations in the amount of \$18,547 and \$135 respectively, which is in violation of Section 5705.41, Ohio Revised Code.

4. 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.

5. DEBT

At December 31, 2007, the Township had a principal balance of \$130,000 remaining on its Ohio Public Works Commission loan.

The Township entered into an agreement with the Ohio Public Works Commission (OPWC) to provide a grant and bond issuance on behalf of the Township. The loan issuance equaled \$200,000 with a zero percent (0%) interest rate and a term of ten (10) years. This issuance was made to finance the Rhodes/Horning Road Bicycle Facility Project with the proceeds of tax exempt debt. This debt is backed by the full faith of the Township.

Principal requirements to retire the OPWC loan outstanding at December 31, 2007, are as follows:

Year Ended December 31,	OPWC Loan		
	Principal	Interest	Total
2008	\$10,000	\$0	\$10,000
2009	20,000	0	20,000
2010	20,000	0	20,000
2011	20,000	0	20,000
2012	20,000	0	20,000
2013-2014	40,000	0	40,000
Total	<u>\$130,000</u>	<u>\$0</u>	<u>\$130,000</u>

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent of their gross salaries, respectively. The Township contributed an amount equaling 13.85 and 13.7 percent of participants' gross salaries, respectively. The Township has paid all contributions required through December 31, 2007.

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 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.

8. 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.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's net assets, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 township.

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

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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, 2007 and 2006.

	2007	2006
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	\$29,852,866	\$29,921,614

At December 31, 2007 and 2006, respectively, liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and net assets above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$50,342. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA	
2005	\$29,179
2006	27,466
2007	22,876

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.



4800 Belmont Avenue, Suite C
Youngstown, Ohio 44505-1072
Ph: 330.759.6761
Fax: 330.759.6764

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *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 the of the Franklin Township, (the Township) as of and for the years ended December 31, 2007 and 2006 and have issued our report thereon dated January 6, 2009, 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal 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 expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standard*.

We noted certain matters that we reported to management of the Township in a separate letter dated January 6, 2009.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.



CANTER & COMPANY

Youngstown, Ohio
January 6, 2009

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Ohio Revised Code Section 5705.41(B)	Yes	Fully Corrected



Mary Taylor, CPA
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
MARCH 12, 2009**