



**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**REGULAR AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2009 & 2008**



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, 2008 through December 31, 2009. 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

May 13, 2010

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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, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008. 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 March 9, 2010, 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 & Associates

March 9, 2010

**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, 2009**

	<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	\$166,128	\$710,299	\$0	\$0	\$876,427
Intergovernmental	194,404	416,592	0	0	610,996
Licenses, Permits, and Fees	97,213	6,168	0	0	103,381
Earnings on Investments	9,095	16,201	0	0	25,296
Miscellaneous	29,937	0	0	0	29,937
Total Cash Receipts	496,777	1,149,260	0	0	1,646,037
Cash Disbursements:					
Current:					
General Government	198,595	1,854	0	0	200,449
Public Safety	43,018	423,002	0	0	466,020
Public Works	67,053	548,548	0	0	615,601
Health	60,926	0	0	0	60,926
Conservation/Recreation	14,652	0	0	0	14,652
Capital Outlay	0	14,920	0	0	14,920
Debt Service - Principal Retirement	0	0	20,000	0	20,000
Total Cash Disbursements	384,244	988,324	20,000	0	1,392,568
Total Receipts Over/(Under) Disbursements	112,533	160,936	(20,000)	0	253,469
Other Financing Receipts/(Disbursements):					
Advances In	24,000	24,000	0	0	48,000
Advances Out	(24,000)	(24,000)	0	0	(48,000)
Transfers In	0	0	20,000	0	20,000
Transfers Out	(20,000)	0	0	0	(20,000)
Total Other Financing Receipts/(Disbursements)	(20,000)	0	20,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	92,533	160,936	0	0	253,469
Fund Cash Balances, January 1	531,363	718,479	0	4,579	1,254,421
Fund Cash Balances, December 31	\$623,896	\$879,415	\$0	\$4,579	\$1,507,890
Reserve for Encumbrances, December 31	\$62	\$741	\$0	\$0	\$803

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, 2008**

	<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	\$163,260	\$703,420	\$0	\$0	\$866,680
Intergovernmental	132,104	398,542	0	0	530,646
Licenses, Permits, and Fees	164,165	2,369	0	0	166,534
Earnings on Investments	21,420	29,414	0	0	50,834
Miscellaneous	42,266	2,443	0	0	44,709
Total Cash Receipts	523,215	1,136,188	0	0	1,659,403
Cash Disbursements:					
Current:					
General Government	270,192	21,969	0	0	292,161
Public Safety	48,605	516,707	0	0	565,312
Public Works	116,072	761,747	0	0	877,819
Health	55,068	0	0	0	55,068
Conservation/Recreation	12,269	0	0	0	12,269
Capital Outlay	87,500	30,448	0	0	117,948
Debt Service - Principal Retirement	0	0	20,000	0	20,000
Total Cash Disbursements	589,706	1,330,871	20,000	0	1,940,577
Total Receipts Over/(Under) Disbursements	(66,491)	(194,683)	(20,000)	0	(281,174)
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	0	13,788	0	0	13,788
Advances In	62,500	62,500	0	0	125,000
Advances Out	(62,500)	(62,500)	0	0	(125,000)
Transfers In	0	0	20,000	0	20,000
Transfers Out	(20,000)	0	0	0	(20,000)
Total Other Financing Receipts/(Disbursements)	(20,000)	13,788	20,000	0	13,788
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(86,491)	(180,895)	0	0	(267,386)
Fund Cash Balances, January 1	617,854	899,374	0	4,579	1,521,807
Fund Cash Balances, December 31	\$531,363	\$718,479	\$0	\$4,579	\$1,254,421
Reserve for Encumbrances, December 31	\$99,245	\$2,682	\$0	\$0	\$101,927

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

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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. 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, 2009 AND 2008**

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, 2009 AND 2008**

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 2009 and 2008 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:

	2009	2008
Demand deposits	\$592,511	\$204,421
Certificates of deposit	915,379	1,050,000
Total deposits and investments	<u>\$1,507,890</u>	<u>\$1,254,421</u>

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$454,986	\$520,777	\$65,791
Special Revenue	1,058,600	1,173,260	114,660
Debt Service	20,000	20,000	0
Total	\$1,533,586	\$1,714,037	\$180,451

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$887,104	\$428,306	\$458,798
Special Revenue	1,773,599	1,013,065	760,534
Debt Service	20,000	20,000	0
Total	\$2,680,703	\$1,461,371	\$1,219,332

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$416,082	\$585,715	\$169,633
Special Revenue	990,469	1,212,476	222,007
Debt Service	20,000	20,000	0
Total	\$1,426,551	\$1,818,191	\$391,640

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$978,936	\$771,451	\$207,485
Special Revenue	2,030,380	1,396,053	634,327
Debt Service	20,000	20,000	0
Total	\$3,029,316	\$2,187,504	\$841,812

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

Compliance: At December 31, 2008, the gasoline tax special revenue fund, the permissive motor vehicle license tax special revenue fund and the City of Kent JEDD special revenue fund had total appropriations plus encumbrances in excess of total estimated resources in the amount of \$50,000, \$12,400 and \$140,001 respectively, which is in violation of Section 5705.39, 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, 2009, the Township had a principal balance of \$90,000 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, 2009, are as follows:

Year Ended December 31,	OPWC Loan		
	Principal	Interest	Total
2010	\$10,000	\$0	\$10,000
2011	20,000	0	20,000
2012	20,000	0	20,000
2013	20,000	0	20,000
2014	20,000	0	20,000
Total	<u>\$90,000</u>	<u>\$0</u>	<u>\$90,000</u>

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 2009 and 2008, 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, 2009.

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, 2009 AND 2008**

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 Insurance 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, 2008 (the latest information available), OTARMA retained \$350,000 for casualty claims and \$100,000 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, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities noted above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and net assets above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$47,825.

**FRANKLIN TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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>	
2007	\$22,876
2008	22,823
2009	22,769

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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**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, 2009 and 2008 and have issued our report thereon dated March 9, 2010, 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 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2008-001 to be a significant deficiency. 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.

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.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-002.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated March 9, 2010.

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.

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

March 9, 2010

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
DECEMBER 31, 2009 AND 2008**

SCHEDULE OF FINDINGS

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

FINDING NUMBER 2008-001

Significant Deficiency

The Uniform Accounting Network Manual in the Appendix provides a Township Chart of Accounts which details the revenue and expenditure codes, name of the source information, and a brief description of the type of revenue or expenditure that relates to the code to be used for the accounting of those transactions.

During 2008, property tax and interest revenue transactions were not always recorded to the correct fund, based on the nature of the transactions. Failure to accurately record revenues to the proper fund could result in material misstatements to the financial statements.

The Township should use the property tax settlement sheets provided by the County Auditor, the UAN Accounting Manual and UAN crosswalk table of revenues as a source, for proper recording of receipts.

Management's Response:

The UAN chart of accounts is used, however posting errors can occur. The problem was identified prior to December 31, 2008 and all receipt transactions were posted correctly during 2009.

FINDING NUMBER 2008-002

Material Noncompliance

Ohio Revised Code § 5705.39 provides that appropriations from each fund shall not exceed the estimated revenue available for expenditures as certified by the county budget commission. The following funds were found to have appropriations in excess of the amount certified as available by the budget commission for the year ended December 31, 2008:

	2008		
Fund	Total Appropriations	Estimated Resources	Variance
Gasoline Tax	\$242,696	\$192,696	(\$50,000)
Permissive Motor Vehicle License Tax	49,107	36,707	(12,400)
City of Kent - JEDD	355,946	215,945	(140,001)

**FRANKLIN TOWNSHIP
PORTAGE COUNTY
DECEMBER 31, 2009 AND 2008**

SCHEDULE OF FINDINGS (CONTINUED)

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

The Township Board of Trustees should monitor expenditures throughout the year at the budgetary level of control, and if necessary, make amendments to them, in order to ensure that they do not exceed appropriations that have been approved. All funds should have a Certificate of Amended Resources passed by the Budget Commission and corresponding appropriations made before any expenditure is approved for payment.

Management's Response:

Appropriations will be more closely monitored, as they were during 2009, to ensure no future violations.



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
MAY 25, 2010**