

**FRANKLIN TOWNSHIP  
PORTAGE COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Franklin Township, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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

July 6, 2016

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**FRANKLIN TOWNSHIP  
PORTAGE COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2015 and 2014**

**TABLE OF CONTENTS**

<u><b>Title</b></u>	<u><b>Page</b></u>
<b>Independent Auditors' Report</b>	<b>1-2</b>
<b>Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2015</b>	<b>3</b>
<b>Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2014</b>	<b>4</b>
<b>Notes to the Financial Statements</b>	<b>5-13</b>
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i></b>	<b>14-15</b>
<b>Schedule of Findings</b>	<b>16</b>
<b>Schedule of Prior Audit Findings</b>	<b>17</b>

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Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland, OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

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**INDEPENDENT AUDITORS' 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 of the cash balances, receipts and disbursements by fund type, and related notes of Franklin Township, Portage County, (the Township) as of and for the years ended December 31, 2015 and 2014.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 June 6, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**CHARLES E. HARRIS & ASSOCIATES, INC.**  
June 6, 2016

**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, 2015**

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 246,228	\$ 873,425	-	\$ 1,119,653
Intergovernmental	108,630	382,598	-	491,228
Fees, Fines, Licenses & Permits	83,228	-	-	83,228
Special Assessments	80	-	-	80
Earnings on Investments	135	16	-	151
Miscellaneous	29,552	14,911	-	44,463
<b>Total Cash Receipts</b>	<b>467,853</b>	<b>1,270,950</b>	<b>-</b>	<b>1,738,803</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	229,190	711	-	229,901
Public Safety	43,119	570,822	-	613,941
Public Works	232,530	502,354	-	734,884
Health	57,000	-	-	57,000
Conservation-Recreation	9,829	-	-	9,829
Capital Outlay	3,161	8,014	350,655	361,830
<b>Total Cash Disbursements</b>	<b>574,829</b>	<b>1,081,901</b>	<b>350,655</b>	<b>2,007,385</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(106,976)</b>	<b>189,049</b>	<b>(350,655)</b>	<b>(268,582)</b>
<b>Other Financing Sources/(Uses):</b>				
Transfers-In	-	345,000	173,759	518,759
Transfers-Out	(53,759)	(465,000)	-	(518,759)
Advances-In	-	-	176,896	176,896
Advances-Out	-	(176,896)	-	(176,896)
<b>Total Other Financing Sources/(Uses)</b>	<b>(53,759)</b>	<b>(296,896)</b>	<b>350,655</b>	<b>-</b>
<b>Net Change in Fund Cash Balance</b>	<b>(160,735)</b>	<b>(107,847)</b>	<b>-</b>	<b>(268,582)</b>
<b>Fund Cash Balance, January 1</b>	<b>441,826</b>	<b>1,035,264</b>	<b>6,162</b>	<b>1,483,252</b>
<b>Fund Cash Balance, December 31</b>				
Restricted	-	927,417	-	927,417
Committed	-	-	6,162	6,162
Assigned	20,743	-	-	20,743
Unassigned	260,348	-	-	260,348
<b>Fund Cash Balance, December 31</b>	<b>\$ 281,091</b>	<b>\$ 927,417</b>	<b>\$ 6,162</b>	<b>\$ 1,214,670</b>

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, 2014**

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 177,922	\$ 784,473	-	\$ 962,395
Charges For Services	-	2,955	-	2,955
Intergovernmental	156,348	506,211	-	662,559
Fees, Fines, Licenses & Permits	84,879	-	-	84,879
Special Assessments	803	-	-	803
Earnings on Investments	146	10	-	156
Miscellaneous	29,634	5,628	-	35,262
<b>Total Cash Receipts</b>	<b>449,732</b>	<b>1,299,277</b>	<b>-</b>	<b>1,749,009</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	195,704	718	-	196,422
Public Safety	39,018	522,649	-	561,667
Public Works	159,884	474,212	-	634,096
Health	58,894	-	-	58,894
Conservation-Recreation	20,002	-	-	20,002
Capital Outlay	108,278	143,383	-	251,661
<b>Total Cash Disbursements</b>	<b>581,780</b>	<b>1,140,962</b>	<b>-</b>	<b>1,722,742</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(132,048)</b>	<b>158,315</b>	<b>-</b>	<b>26,267</b>
<b>Other Financing Sources/(Uses):</b>				
Transfers-In	-	200,000	-	200,000
Transfers-Out	-	(200,000)	-	(200,000)
Sale of Capital Assets	-	28,200	-	28,200
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>28,200</b>	<b>-</b>	<b>28,200</b>
<b>Net Change in Fund Cash Balance</b>	<b>(132,048)</b>	<b>186,515</b>	<b>-</b>	<b>54,467</b>
<b>Fund Cash Balance, January 1</b>	<b>573,874</b>	<b>848,749</b>	<b>6,162</b>	<b>1,428,785</b>
<b>Fund Cash Balance, December 31</b>				
Restricted	-	1,035,264	-	1,035,264
Committed	-	-	6,162	6,162
Assigned	12,671	-	-	12,671
Unassigned	441,826	-	-	441,826
<b>Fund Cash Balance, December 31</b>	<b>\$ 441,826</b>	<b>\$ 1,035,264</b>	<b>\$ 6,162</b>	<b>\$ 1,483,252</b>

See accompanying Notes to the Financial Statements.

**FRANKLIN TOWNSHIP  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

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

**FRANKLIN TOWNSHIP  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**1. Summary of Significant Accounting Policies (continued)**

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**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 contracting with the City of Kent for fire protection services.

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

**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, 2015 AND 2014**

**1. Summary of Significant Accounting Policies (continued)**

**E. Budgetary Process (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 2015 and 2014 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, 2015 AND 2014**

**1. Summary of Significant Accounting Policies (continued)**

**F. Fund Balance (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:

	2015	2014
Demand Deposits	\$ 1,214,670	\$ 1,483,252
Total Deposits	1,214,670	1,483,252

**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, 2015 AND 2014**

**3. Budgetary Activity**

Budgetary activity for the years ended December 31, 2015 and 2014 was as follows:

<b>2015 Budget vs Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 438,797	\$ 467,853	\$ 29,056
Special Revenue	1,518,795	1,615,950	97,155
Capital Projects	470,000	350,655	(119,345)
<b>Total</b>	<b>\$ 2,427,592</b>	<b>\$ 2,434,458</b>	<b>\$ 6,866</b>

<b>2015 Budgeted vs. Actual Budgetary Basis Disbursements</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Disbursements</b>	<b>Variance</b>
General	\$ 680,053	\$ 649,331	\$ 30,722
Special Revenue	1,887,457	1,769,336	118,121
Capital Projects	470,000	350,655	119,345
<b>Total</b>	<b>\$ 3,037,510</b>	<b>\$ 2,769,322</b>	<b>\$ 268,188</b>

<b>2014 Budget vs Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 400,584	\$ 449,732	\$ 49,148
Special Revenue	1,665,207	1,527,477	(137,730)
Capital Projects	526,950	-	(526,950)
<b>Total</b>	<b>\$ 2,592,741</b>	<b>\$ 1,977,209</b>	<b>\$ (615,532)</b>

**FRANKLIN TOWNSHIP  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**3. Budgetary Activity (continued)**

<b>2014 Budgeted vs Actual Budgetary Basis Disbursements</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Disbursements</b>	<b>Variance</b>
General	\$ 795,407	\$ 594,451	\$ 200,956
Special Revenue	1,706,651	1,418,055	288,596
Capital Projects	522,000	-	522,000
<b>Total</b>	<b>\$ 3,024,058</b>	<b>\$ 2,012,506</b>	<b>\$ 1,011,552</b>

**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.

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2015 and 2014, members of OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2015 and 2014. The Township has paid all contributions required through December 31, 2015.

**FRANKLIN TOWNSHIP  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**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, 2015, 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, 2015 and 2014:

	<b><u>2015</u></b>	<b><u>2014</u></b>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$16,000.

**FRANKLIN TOWNSHIP  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**6. Risk Management (continued)**

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2015</u></b>	<b><u>2014</u></b>
\$29,605	\$31,457

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 2015.

**FRANKLIN TOWNSHIP  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**9. Interfund Transactions**

During 2014 and 2015, the Township made various transfers and advances to subsidize operations and to provide for capital expenditures. All of the transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16, except for one which was made retroactively.

There was an advance of \$176,896 made in 2015 from the City of Kent JEDD fund to the Hudson Road North Fund. This advance will be repaid in 2016 when a receipt from OPWC is received.

**10. Contingent Liabilities/Subsequent Events**

Management believes there are no significant pending claims or lawsuits.

**11. Budgetary Noncompliance**

Contrary to the Ohio Revised Code Section 5705.39, the Township had appropriations in excess of estimated resources in one fund in 2015.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland, OH 44113-1306

Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

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INDEPENDENT AUDITORS' 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 44249

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 cash balances, receipts, and disbursements by fund type of Franklin Township, Portage County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 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 one instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as finding 2015-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 6, 2016.

***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.**

June 6, 2016

**FRANKLIN TOWNSHIP  
PORTAGE COUNTY, OHIO  
Schedule of Findings  
For the Years Ending December 31, 2015 and 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2015-01 – Noncompliance Citation**

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 Township 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.

At December 31, 2015, the following fund's total appropriations exceeded total estimated resources:

Special Revenue Fund:  
Fire Fund (\$146,807)

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

**Management Response:**

I will make every effort to better monitor estimated resources when making supplemental appropriations or modifications to fund balances. The billing process for our contracted services with the City of Kent directly impacts this. The billing generally runs about 3 months behind, and as a result, in January/February each year I am invoiced for October-December of the previous year. Those amounts have affected the amount of appropriations needed. I will modify my budget and appropriations process to better anticipate those expenses.

**Finding Number 2015-02 – Material Weakness**

Our testing revealed several instances where errors were made with respect to the posting and reporting of various transactions. During 2014 and 2015, these misclassifications included the following:

- During 2014, several expenditures were misclassified as a Transfer Out instead of General Government and Public Works.
- During 2014 and 2015, various refunds and reimbursements were misclassified as other financing sources instead of Miscellaneous revenue.
- During 2014 and 2015, various expenditures were misclassified as other financing uses instead of Public Works.

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

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

**Management Response:**

By means of better understanding of and use of tools available to me, such as the Ohio Township Handbook and resources available through the Auditor of State, I will better classify refunds and reimbursements when entering revenue into the Uniform Accounting Network system.

**FRANKLIN TOWNSHIP  
PORTAGE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Years Ending December 31, 2015 and 2014**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2013-01	Ohio Revised Code Section 5705.41(B) for making expenditures without the corresponding appropriation.	Yes	Finding corrected.
2013-02	Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 for making a transfer before approval of the Board of Trustees was received.	Partially	Moved to the Management Letter.
2013-03	Ohio Revised Code Section 5705.39 for total appropriations exceeding total estimated fund resources.	No	Reissued in this report as Finding 2015-01.
2013-04	Misclassifications of various receipts and expenditures.	No	Reissued in this report as Finding 2015-02.

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# 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  
JULY 19, 2016**