

FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY, OHIO
REPORT ON AUDIT OF
FINANCIAL STATEMENTS
JANUARY 1, 2003-
DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Franklin Township
Strasburg, Ohio

We have reviewed the *Independent Auditor's Report* of Franklin Township, Tuscarawas County, prepared by Stephen A. Tope, CPA, LLC, for the audit period January 1, 2003 through December 31, 2004. 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 Auditor's 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 Auditor's 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, Tuscarawas County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 12, 2006

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FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY, OHIO
REPORT ON AUDIT OF
FINANCIAL STATEMENTS
JANUARY 1, 2003-
DECEMBER 31, 2004

FISCAL YEARS AUDITED UNDER
GAGAS: 2003/2004

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FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY, OHIO
145 7th Street NE
Strasburg, Ohio 44680

ELECTED OFFICIALS AS OF DECEMBER 31, 2004

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>	<u>AMOUNT</u>
Michael Fondriest 6153 Race Road NW Strasburg, OH 44680	Trustee	01/01/02-12/31/06	(B)	\$ 5,000
Rick Lautenschleger 800 Weber Avenue Strasburg, OH 44680	Trustee	01/01/02-12/31/06	(A)	\$ 1,000
Douglas Hensel 4564 Garber Drive NW Strasburg, OH 44680	Trustee	01/01/04-01/01/08	(B)	\$ 1,000
Tammy Spidell 3249 Mt. Pleasant Rd. NW Dover, OH 44622	Clerk	04/01/04-04/01/08	(B)	\$10,000

STATUTORY LEGAL COUNSEL

Amanda Spies-Bornhorst
Tuscarawas County Prosecutor
Tuscarawas County Courthouse
New Philadelphia, OH 44663

(A) The Personal Service Insurance Company

(B) Western Surety Insurance Company

Tope Accounting & Business Services, LLC
P.O. Box 228
Kidron, Ohio 44636

October 21, 2005

Board of Trustees
Franklin Township
Tuscarawas County, Ohio
Strasburg, Ohio 44680

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying basic financial statements of Franklin Township, Tuscarawas County, Ohio (the Township) as of and for the years ended December 31, 2004 & 2003. These basic financial statements are the responsibility of the Township's Trustees. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audits 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about 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. I believe that my audits provide a reasonable basis for my opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although I cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, I presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards require me 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 the 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. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Franklin Township, Tuscarawas County, Ohio, as of December 31, 2004 and 2003, 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 year ended December 31, 2004. 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*, I have also issued my report dated October 21, 2005 on my consideration of the Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While I did not opine on the internal control over financial reporting or on compliance, that report describes the scope of my 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 my audit.

STEPHEN A. TOPE, CPA LLC-Certified Public Accountant

FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES - FOR THE YEAR ENDED
DECEMBER 31, 2004

	General	Special Revenue	Total
<u>CASH RECEIPTS:</u>			
Local taxes	\$ 38,597	\$ 139,674	\$ 178,271
Intergovernmental	81,785	93,092	174,877
Interest	283	28	311
All other	0	0	0
Total cash receipts	120,665	232,794	353,459
<u>CASH DISBURSEMENTS:</u>			
Security of persons and property	0	7,366	7,366
Public health services	1,498	50,825	52,323
Public works	0	173,170	173,170
General government	211,612	0	211,612
Capital outlays	0	0	0
Total cash disbursements	213,110	231,361	444,471
Excess (deficit) of cash receipts over cash disbursements	(92,445)	1,433	(91,012)
<u>OTHER FINANCING RECEIPTS:</u>			
Transfers in	0	0	0
Transfers out	0	0	0
Total other financing receipts	0	0	0
Excess (deficit) of cash receipts and other financing receipts over cash disbursements	(92,445)	1,433	(91,012)
Fund cash balances, January 1, 2004	124,582	161,854	286,436
Fund cash balances, December 31, 2004	\$ 32,137	\$ 163,287	\$ 195,424

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES - FOR THE YEAR ENDED
DECEMBER 31, 2003

	General	Special Revenue	Total
<u>CASH RECEIPTS:</u>			
Local taxes	\$ 35,223	\$ 135,033	\$ 170,256
Intergovernmental	206,430	83,370	289,800
Interest	566	0	566
All other	0	7	7
Total cash receipts	242,219	218,410	460,629
<u>CASH DISBURSEMENTS:</u>			
Security of persons and property	0	10,408	10,408
Public health services	656	20,812	21,468
Public works	0	142,025	142,025
General government	191,036	0	191,036
Capital outlays	0	0	0
Total cash disbursements	191,692	173,245	364,937
Excess (deficit) of cash receipts over cash disbursements	50,527	45,165	95,692
<u>OTHER FINANCING RECEIPTS:</u>			
Transfers in	0	11,200	11,200
Transfers out	(11,200)	0	(11,200)
Total other financing receipts	(11,200)	11,200	0
Excess (deficit) of cash receipts and other financing receipts over cash disbursements	39,327	56,365	95,692
Fund cash balances, January 1, 2003	85,255	105,489	190,744
Fund cash balances, December 31, 2003	\$ 124,582	\$ 161,854	\$ 286,436

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

Franklin Township (the Township) is a body politic and corporate established 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 provides general governmental services, including road and ditch maintenance, cemeteries, and fire protection. The Township contracts with the Tuscarawas County Sheriff's department to provide security of persons and property.

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

Basis of Accounting

These financial statements were prepared on the cash basis of accounting which is prescribed or permitted by the Auditor of State and which is a comprehensive basis of accounting other than generally accepted accounting principles. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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:

Gasoline Tax Fund and the Road District Fund - These funds receive tax revenues from the County Auditor for constructing, maintaining and repairing Township roads.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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
TUSCARAWAS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated Resources

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

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 2004 and 2003 budgetary activity appears in Note 3.

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.

Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$ 195,424</u>	<u>\$ 286,436</u>

Deposits

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

FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and 2003 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 95,322	\$ 120,665	\$ 25,343
Special Revenue	<u>225,778</u>	<u>232,794</u>	<u>7,016</u>
Total	<u>\$ 321,100</u>	<u>\$ 353,459</u>	<u>\$ 32,359</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 212,560	\$ 213,110	\$ (550)
Special Revenue	<u>370,123</u>	<u>231,361</u>	<u>138,762</u>
Total	<u>\$ 582,683</u>	<u>\$ 444,471</u>	<u>\$ 138,212</u>

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 89,174	\$ 242,219	\$ 153,045
Special Revenue	<u>202,100</u>	<u>229,610</u>	<u>27,510</u>
Total	<u>\$ 291,274</u>	<u>\$ 471,829</u>	<u>\$ 180,555</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 172,500	\$ 202,892	\$ (30,392)
Special Revenue	<u>302,736</u>	<u>173,245</u>	<u>129,491</u>
Total	<u>\$ 475,236</u>	<u>\$ 376,137</u>	<u>\$ 99,099</u>

FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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.

NOTE 5: RETIREMENT SYSTEMS

The Township's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement health care and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003 PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

NOTE 6: RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

October 21, 2005

Board of Trustees
Franklin Township
Tuscarawas County, Ohio
Strasburg, Ohio 44680

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

I have audited the financial statements of Franklin Township, Tuscarawas County, Ohio (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued my report thereon dated October 21, 2005 wherein I noted the Township followed accounting practices the Auditor of State prescribed rather than accounting principles generally accepted in the United States of America. I conducted my audits 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether Franklin Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards on the accompanying Schedule of Findings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered Franklin Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level risk that misstatements in amounts that would be material in relation to financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

STEPHEN A. TOPE, CPA-Certified Public Accountant

FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY, OHIO

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

NONCOMPLIANCE CITATIONS

2004-1

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

During the fiscal year ended December 31, 2004, the Township expended \$550 in excess of appropriations in the general fund for the year. During the fiscal year ended December 31, 2003, the Township expended \$30,392 in excess of appropriations in the general fund for the year.

2004-2

Ohio Revised Code Section 5705.14 requires a resolution of the taxing authority to transfer money from the general fund to any other fund of the subdivision.

During the fiscal year ended December 31, 2003, the Township transferred \$8,000 from the general fund into the special revenue fund. No resolution was passed by the Board authorizing the transfers.

2004-3

Internal Revenue Code Chapter 26 requires the collection of federal income tax and Medicare tax from wages. Ohio Revised Code Section 5747.06 requires the collection of Ohio income tax from wages.

During the fiscal year ended December 31, 2003, the Township paid bonuses of \$800 to maintenance employees and did not withhold taxes from the bonuses.

During the fiscal year ended December 31, 2004, the Township paid bonuses of \$1,000 to maintenance employees and did not withhold taxes from the bonuses.

FRANKLIN TOWNSHIP
TUSCARAWAS COUNTY, OHIO

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2002 and 2001 did not include material citations or recommendations.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FRANKLIN TOWNSHIP

TUSCARAWAS 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 4, 2006**