

**FRANKLIN TOWNSHIP  
WAYNE COUNTY**

**INDEPENDENT AUDITOR'S REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND DECEMBER 31, 2004





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Franklin Township  
1661 Kimber Road  
Wooster, Ohio 44691

We have reviewed the *Independent Auditor's Report* of Franklin Township, Wayne County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

November 30, 2006

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**FRANKLIN TOWNSHIP, OHIO  
WAYNE COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Franklin Township, Wayne County  
1661 Kimber Road  
Wooster, OH 44691

We have audited the accompanying financial statements of Franklin Township, Wayne County (the Township), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinions.

As described 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 principals generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

## **INDEPENDENT AUDITOR'S REPORT** (continued)

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, 2005 and 2004 do not present fairly, in conformity with accounting principals generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, 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 reserve for encumbrances of Franklin Township as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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, 2005 and 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*, we have also issued our report dated September 11, 2006 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 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* and should be considered in assessing the results of our audit.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

September 11, 2006

**Franklin Township, Ohio**  
**Wayne County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash**  
**Balances - All Governmental Fund Types**  
**For the Year Ended December 31, 2005**

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	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Local Taxes	\$70,229	\$177,765	\$247,994
Intergovernmental	156,145	111,005	267,150
Earnings on Investments	5,490	625	6,115
Miscellaneous	3,462	5,599	9,061
	235,326	294,994	530,320
 Cash Disbursements			
Current:			
General Government	84,142	0	84,142
Public Works	48,319	241,492	289,811
Health	14,641	0	14,641
Capital Outlay	0	64,921	64,921
	147,102	306,413	453,515
 Total Receipts Over/(Under) Disbursements	88,224	(11,419)	76,805
 Fund Cash Balances, January 1, 2005	62,405	236,577	298,982
 Fund Cash Balances, December 31, 2005	\$150,629	\$225,158	\$375,787
 Reserve For Encumbrances	\$0	\$0	\$0

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



**Franklin Township, Ohio**  
**Wayne County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash**  
**Balances - All Governmental Fund Types**  
**For the Year Ended December 31, 2004**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Local Taxes	\$68,126	\$173,688	\$241,814
Intergovernmental	51,900	100,381	152,281
Earnings on Investments	2,768	313	3,081
Miscellaneous	2,765	7,157	9,922
	<u>125,559</u>	<u>281,539</u>	<u>407,098</u>
Cash Disbursements			
Current:			
General Government	66,001	0	66,001
Public Works	32,506	199,644	232,150
Health	14,038	0	14,038
Capital Outlay	0	62,096	62,096
	<u>112,545</u>	<u>261,740</u>	<u>374,285</u>
Total Receipts Over Disbursements	13,014	19,799	32,813
Fund Cash Balances, January 1, 2004	<u>49,391</u>	<u>216,778</u>	<u>266,169</u>
Fund Cash Balances December 31, 2004	<u>\$62,405</u>	<u>\$236,577</u>	<u>\$298,982</u>
Reserve For Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

FRANKLIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 and December 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Franklin Township, Wayne County, Ohio (the Township) is a body corporate and politic 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 zoning and road and bridge maintenance to the residents of the Township. The Township contracts with the Wooster Township Volunteer Fire Department and Fredricksburg Township Volunteer Fire Department to provide fire protection services.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie, when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Money market funds and repurchase agreements are recorded at cost.

D. 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 to be accounted for in another fund.

**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:

FRANKLIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 and December 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Road and Bridge Fund – This fund receives property taxes and intergovernmental receipts for constructing, maintaining and repairing Township roads.

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Fire Levy Fund – This fund receives property taxes and intergovernmental receipts to provide fire protection to Township residents.

E. Budgetary Process

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

**Appropriations** - Budgetary expenditures (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.

**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.

**Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances are canceled at year end

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

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

FRANKLIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 and December 31, 2004

2. **EQUITY IN POOLED CASH 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 and investments at December 31, was as follows:

	2005	2004
Demand Deposits	(\$27,822)	\$152,391
Money Market Account	0	146,591
Total Deposits	(27,822)	298,982
Overnight Repurchase Agreement	403,609	0
Total Deposits and Investments	\$375,787	\$298,982

**Deposits** – Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution’s public entity deposit pool.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and December 31, 2004 was as follows:

2005 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$171,254	\$235,326	\$64,072
Special Revenue	294,509	294,994	485
Total	\$465,763	\$530,320	\$64,557

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$211,250	\$147,102	\$64,148
Special Revenue	531,413	306,413	225,000
Total	\$742,663	\$453,515	\$289,148

FRANKLIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 and December 31, 2004

3. **BUDGETARY ACTIVITY** (continued)

2004 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$132,294	\$125,559	(\$6,735)
Special Revenue	266,529	281,539	15,010
Total	<u>\$398,823</u>	<u>\$407,098</u>	<u>\$8,275</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$181,350	\$112,545	\$68,805
Special Revenue	483,200	261,740	221,460
Total	<u>\$664,550</u>	<u>\$374,285</u>	<u>\$290,265</u>

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.

Public utilities are also taxed on personal property located within the Township.

Tangible personal property tax is assessed to 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.

FRANKLIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 and December 31, 2004

5. **RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

6. **RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Inland Marine
- Public official's liability

**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***

Board of Trustees  
Franklin Township, Wayne County  
1661 Kimber Road  
Wooster, OH 44691

We have audited the financial statements of Franklin Township, Wayne County (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 11, 2006, 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** (continued)

We noted certain matters that we reported to management of the Township in a separate letter dated September 11, 2006.

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

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

September 11, 2006





**Auditor of State  
Betty Montgomery**

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**FRANKLIN TOWNSHIP**

**WAYNE 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  
DECEMBER 12, 2006**