

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004-2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Franklin Township, Richland County
Shelby, Ohio

We have reviewed the *Independent Accountants' Report* of Franklin Township, Richland County, prepared by Knox & Knox CPAs, 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 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, Richland 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

November 23, 2005

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**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2004.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2003.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Franklin Township
Richland County
525 Boyce Road
Shelby, Ohio 44875

We have audited the accompanying financial statements of the Franklin Township, Richland County, Ohio, as of and for the years ended December 31, 2004 and 2003. 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 *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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared its 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Franklin Township, Richland County combined funds as of December 31, 2004 and 2003, and their changes in financial position.

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 the Franklin Township, Richland County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2005, on our consideration of the Franklin Township's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Knox & Knox

Orrville, Ohio
August 29, 2005

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$ 20,371	\$186,886	\$207,257
Intergovernmental	32,107	95,311	127,418
Charges for Services		95,219	95,219
Licenses, Permits and Fees	1,175		
1,175			
Earnings on Investments	1,264	64	1,328
Other Revenue	<u>391</u>	<u>38,939</u>	<u>39,330</u>
Total Cash Receipts	<u>55,308</u>	<u>416,419</u>	<u>471,727</u>
Cash Disbursements:			
Current:			
General Government	63,062	21,720	84,782
Public Safety		94,618	94,618
Public Works		194,704	194,704
Health	855		855
Debt Service:			
Redemption of Principal		11,002	11,002
Interest and Fiscal Charges		2,258	2,258
Capital Outlay	<u> </u>	<u>137,764</u>	<u>137,764</u>
Total Cash Disbursements	<u>63,917</u>	<u>462,066</u>	<u>525,983</u>
Total Receipts (Under) Disbursements	<8,609>	<45,647>	<54,256>
Other Financing Sources	<u> </u>	<u>80,000</u>	<u>80,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<8,609>	34,353	25,744
Fund Cash Balances, January 1	<u>17,689</u>	<u>226,990</u>	<u>244,679</u>
Fund Cash Balances, December 31	<u>\$ 9,080</u>	<u>\$261,343</u>	<u>\$270,423</u>
Reserve for Encumbrances, December 31	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

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

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

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

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$ 20,437	\$189,296		\$209,733
Intergovernmental	31,365	75,322		106,687
Charges for Services		81,281		81,281
Licenses, Permits, and Fees	1,442			1,442
Earnings on Investments	1,357	240		1,597
Other Revenue	<u>230</u>	<u>15,564</u>		<u>15,794</u>
Total Cash Receipts	<u>54,831</u>	<u>361,703</u>		<u>416,534</u>
Cash Disbursements:				
Current:				
General Government	83,233			83,233
Public Safety		110,546		110,546
Public Works		160,499		160,499
Health	844			844
Debt Service:				
Redemption of Principal			29,015	29,015
Interest and Fiscal Charges			<u>1,523</u>	<u>1,523</u>
Total Cash Disbursements	<u>84,077</u>	<u>271,045</u>	<u>30,538</u>	<u>385,660</u>
Total Receipts Over Disbursements	<u>< 29,246 ></u>	<u>90,658</u>	<u><30,538 ></u>	<u>30,874</u>
Fund Cash Balances, January 1	<u>46,935</u>	<u>136,332</u>	<u>30,538</u>	<u>213,805</u>
Fund Cash Balances, December 31	<u>\$ 17,689</u>	<u>\$226,990</u>	<u>\$</u>	<u>\$244,679</u>
Reserve for Encumbrances, December 31	<u>\$</u>	<u>\$ 3,425</u>	<u>\$</u>	<u>\$ 3,425</u>

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

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Franklin Township, Richland County, (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, which includes road maintenance.

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 when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash

The Township deposits money into a checking account with a financial institution eligible to maintain the Township's monies. The financial institution provides securities sufficient to cover the monies deposited with it.

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:

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

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

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township's only had one capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio to widen and reconstruct a 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.

2. 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.

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 reappropriated in the subsequent year.

A summary of 2004 and 2003 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

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.

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH

The Township maintains a cash 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:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$143,715	\$119,299
Repurchase Agreement	<u>126,708</u>	<u>125,380</u>
Total deposits and investments	<u>\$270,423</u>	<u>\$244,679</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

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

2004 Budgeted vs. Actual Receipts			
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Fund Type	Receipts	Receipts	
General	\$ 54,080	\$ 55,308	\$ 1,228
Special Revenue	<u>431,783</u>	<u>496,419</u>	<u>64,636</u>
Total	<u>\$485,863</u>	<u>\$551,727</u>	<u>\$65,864</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
Fund Type	Authority	Expenditures	
General	\$ 71,769	\$ 63,917	\$ 7,852
Special Revenue	<u>658,773</u>	<u>462,066</u>	<u>196,707</u>
Total	<u>\$730,542</u>	<u>\$525,983</u>	<u>\$204,559</u>

2003 Budgeted vs. Actual Receipts			
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Fund Type	Receipts	Receipts	
General	\$ 51,305	\$ 54,831	\$ 3,526
Special Revenue	<u>307,520</u>	<u>361,703</u>	<u>54,183</u>
Total	<u>\$358,825</u>	<u>\$416,534</u>	<u>\$ 57,709</u>

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 98,240	\$ 84,077	\$ 14,163
Special Revenue	443,850	274,469	169,381
Debt Service	<u>30,538</u>	<u>30,538</u>	<u> </u>
Total	<u>\$572,628</u>	<u>\$389,084</u>	<u>\$183,544</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding 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 utilities are also taxed on personal and real property located within the Township.

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

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ambulance Note	\$69,998	4.0%

**FRANKLIN TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	<u>Ambulance Note</u>
2005	\$17,680
2006	17,680
2007	17,680
2008	17,680
2009	<u>5,893</u>
Total	<u>\$76,613</u>

The Township entered into a loan agreement in 2004 with the Richland Bank to borrow \$80,000. The proceeds of the Note were used to purchase an ambulance. The Note requires monthly payments of principal and interest of \$1,473. The per annum interest rate is 4.0% and the Note matures on April 2, 2009.

6. RETIREMENT SYSTEM

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 2004 and 2003, members of OPERS 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.

7. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the "Plan") an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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KNOX & KNOX

Accountants and Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Franklin Township
Richland County
525 Boyce Road
Shelby, Ohio 44875

To the Board of Trustees:

We have audited the accompanying financial statements of the Franklin Township, Richland County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 29, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the Franklin Township's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Franklin Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an assurance 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 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 the risk that misstatements 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 operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Township in a separate letter dated August 29, 2005.

Franklin Township
Richland County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Knox & Knox

Orrville, Ohio
August 29, 2005



**Auditor of State
Betty Montgomery**

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FRANKLIN TOWNSHIP

RICHLAND 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 6, 2005**