

FRANKLIN TOWNSHIP, SUMMIT COUNTY

AUDIT REPORT

For the Years Ended December 31, 2004 and 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants & Government Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Franklin Township, Summit County
5611 Manchester Rd.
Akron, OH 44319

We have reviewed the *Report of Independent Accountants* of Franklin Township, Summit County, prepared by Charles E. Harris & Associates, Inc., 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, Summit County is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 2, 2005

This Page is Intentionally Left Blank.

FRANKLIN TOWNSHIP, SUMMIT COUNTY
Audit Report
For the Years Ended December 31, 2004 and 2003

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Years Ended December 31, 2004 and 2003	3-4
Statement of Receipts, Disbursements and Changes in Fund Cash Balances – Internal Service Fund - For the Years Ended December 31, 2004 and 2003	5
Notes to the Financial Statements	6-12
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Status of Prior Year’s Citations and Recommendations	14

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

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

REPORT OF INDEPENDENT ACCOUNTANTS

**Board of Trustees
Franklin Township, Summit County
New Franklin, Ohio**

We have audited the accompanying financial statements of Franklin Township (the Township), 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 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 these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 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.

In our 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 is changes in financial position or cash flows of its internal service fund for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Franklin Township, Summit County, 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 the accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of its financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005 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 grants agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
September 23, 2005

FRANKLIN TOWNSHIP
SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2004

	Governmental Fund Types				Fiduciary	Totals - (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Receipts:						
Property Taxes and Other Local Taxes	\$ 148,565	\$ 2,450,962	-	-	-	\$ 2,599,527
Intergovernmental	731,591	584,895	-	-	-	1,316,486
Special Assessments	-	-	\$ 3,313	-	-	3,313
Charges for Services	-	89,153	-	-	\$ 27,601	116,754
Licenses, Permits and Fees	54,960	20,778	-	-	-	75,738
Fines, Forfeitures and Penalties	11,236	19,768	-	-	-	31,004
Earnings on Investments	6,813	1,822	-	-	-	8,635
Other Revenue	3,484	18,878	-	-	100	22,462
Total Receipts	956,649	3,186,256	3,313	-	27,701	4,173,919
Disbursements:						
Current:						
General Government	776,563	47,593	-	-	-	824,156
Public Safety	159,624	2,400,212	-	-	-	2,559,836
Public Works	169,922	570,161	-	-	-	740,083
Health	-	35,223	-	-	-	35,223
Conservation-Recreation	3,103	-	-	-	33,625	36,728
Capital Outlay	28,550	29,592	2,486	\$ 501,052	-	561,680
Total Disbursements	1,137,762	3,082,781	2,486	501,052	33,625	4,757,706
Excess of Receipts Over/(Under)						
Disbursements	(181,113)	103,475	827	(501,052)	(5,924)	(583,787)
Other Financing Sources/(Uses):						
Transfers-In	-	-	-	71,079	-	71,079
Transfers-Out	(71,079)	-	-	-	-	(71,079)
Advances-In	45,645	-	-	-	-	45,645
Advances-Out	-	(45,645)	-	-	-	(45,645)
Other Sources	16,530	-	-	-	-	16,530
Total Other Financing Sources/(Uses)	(8,904)	(45,645)	-	71,079	-	16,530
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(190,017)	57,830	827	(429,973)	(5,924)	(567,257)
Fund Balance January 1, 2004	363,042	704,496	11,994	630,167	43,203	1,752,902
Fund Balance December 31, 2004	\$ 173,025	\$ 762,326	\$ 12,821	\$ 200,194	\$ 37,279	\$ 1,185,645

See accompanying Notes to the Financial Statements.

FRANKLIN TOWNSHIP
SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2003

	Governmental Fund Types				Fiduciary	Totals - (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	
Receipts:						
Property Taxes and Other Local Taxes	\$ 146,297	\$ 2,403,583	-	-	-	\$ 2,549,880
Intergovernmental	792,601	477,946	-	-	-	1,270,547
Special Assessments	-	-	\$ 2,673	-	-	2,673
Charges for Services	-	76,856	-	-	\$ 36,027	112,883
Licenses, Permits and Fees	47,709	23,252	-	-	-	70,961
Fines, Forfeitures and Penalties	10,549	350	-	-	-	10,899
Earnings on Investments	8,996	1,247	-	-	-	10,243
Other Revenue	9,783	21,244	-	-	225	31,252
Total Receipts	1,015,935	3,004,478	2,673	-	36,252	4,059,338
Disbursements:						
Current:						
General Government	776,109	24,439	-	-	-	800,548
Public Safety	126,251	2,427,612	-	-	-	2,553,863
Public Works	66,536	548,061	-	-	-	614,597
Health	-	42,110	-	-	-	42,110
Conservation-Recreation	573	-	-	-	34,101	34,674
Capital Outlay	12,466	-	2,574	\$ 474,833	-	489,873
Total Disbursements	981,935	3,042,222	2,574	474,833	34,101	4,535,665
Excess of Receipts Over/(Under)						
Disbursements	34,000	(37,744)	99	(474,833)	2,151	(476,327)
Other Financing Sources/(Uses):						
Transfers-In	-	-	-	350,000	-	350,000
Transfers-Out	(350,000)	-	-	-	-	(350,000)
Advances-In	5,068	45,645	-	-	-	50,713
Advances-Out	(45,645)	(5,068)	-	-	-	(50,713)
Other Sources	7,307	-	-	-	-	7,307
Other Uses	-	-	-	-	(16,000)	(16,000)
Total Other Financing Sources/(Uses)	(383,270)	40,577	-	350,000	(16,000)	(8,693)
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(349,270)	2,833	99	(124,833)	(13,849)	(485,020)
Fund Balance January 1, 2003	712,312	701,663	11,895	755,000	57,052	2,237,922
Fund Balance December 31, 2003	\$ 363,042	\$ 704,496	\$ 11,994	\$ 630,167	\$ 43,203	\$ 1,752,902

See accompanying Notes to the Financial Statements.

FRANKLIN TOWNSHIP
SUMMIT COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - INTERNAL SERVICE FUND
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating Receipts:		
Charges for Services	\$ <u>665,853</u>	\$ <u>553,484</u>
Total Operating Receipts	665,853	553,484
Operating Disbursements:		
Contractual Services	<u>646,201</u>	<u>633,044</u>
Total Operating Disbursements	<u>646,201</u>	<u>633,044</u>
Excess Operating Receipts Over/(Under) Operating Disbursements	19,652	(79,560)
Fund Balance January 1	<u>54,056</u>	<u>133,616</u>
Fund Balance December 31	<u>\$ <u>73,708</u></u>	<u>\$ <u>54,056</u></u>

See accompanying Notes to the Financial Statements.

FRANKLIN TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Franklin Township is a body politic and corporate established for the purpose of exercising 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 various services including road and bridge maintenance, cemetery maintenance, police and fire protection, emergency medical services, park facilities and solid waste collection.

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 by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in an overnight repurchase agreement is valued at cost.

D. FUND ACCOUNTING

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

1. General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

To account for the proceeds of specific revenue sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township had the following significant Special Revenue Funds:

FRANKLIN TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

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

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds** - (continued)

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

Police District Fund – This fund receives property tax money for providing police services to Township residents.

Fire District Fund - This fund receives special levy tax money for providing fire services to Township residents.

3. **Debt Service Funds**

Debt Service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Lighting Assessment Fund – This fund receives local property tax money for the operation of street lights.

4. **Capital Projects Funds**

These funds are 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 had the following significant capital project fund:

Administration Building Fund – The Township transfers revenues to this fund for the construction of a new township administration building.

5. **Fiduciary Funds (Trust and Agency Funds)**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Franklin Park Civic Center Trust – This expendable trust fund receives donations and rental fees for the usage of the Tudor House which are used to pay its maintenance expenses.

Insurance/Fire Loss Fund – This agency fund receives escrow money from a resident's insurance company for fire damage and is held by the Township until the premise is satisfactorily repaired.

FRANKLIN TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

6. Proprietary Fund (Internal Service Fund)

The fund accounts for the financing of goods or services provided by one department to other departments of the Township on a cost reimbursement basis. The Township's only Internal Service Fund is the Self-Insurance Fund which receives charges for services from other funds to cover the cost of providing medical insurance to employees.

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 2003 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

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, SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments 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:

	2004	2003
Demand deposits	\$ 175,192	\$ 47,342
Repurchase agreement	1,084,161	1,759,616
Total deposits and investments	\$ 1,259,353	\$ 1,806,958

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Township's agent holds securities collateralizing repurchase agreement. The securities are pooled and not in the Township's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 are as follows:

2004 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,101,313	\$ 1,018,824	\$ (82,489)
Special Revenue	3,126,588	3,186,256	59,668
Debt Service	2,800	3,313	513
Capital Projects	71,079	71,079	-
Internal Service	600,000	665,853	65,853
Expendable Trust	50,000	27,701	(22,299)
Total	\$ 4,951,780	\$ 4,973,026	\$ 21,246

2004 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,448,313	\$ 1,208,841	\$ 239,472
Special Revenue	3,690,353	3,128,426	561,927
Debt Service	2,486	2,486	-
Capital Projects	630,167	501,052	129,115
Internal Service	654,056	646,201	7,855
Expendable Trust	80,000	33,625	46,375
Total	\$ 6,505,375	\$ 5,520,631	\$ 984,744

FRANKLIN TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

3. BUDGETARY ACTIVITY - (continued)

2003 Budgeted vs Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,278,500	\$ 1,028,310	\$ (250,190)
Special Revenue	3,100,790	3,050,123	(50,667)
Debt Service	2,800	2,673	(127)
Capital Projects	350,000	350,000	-
Internal Service	553,484	553,484	-
Expendable Trust	41,000	36,252	(4,748)
Total	\$ 5,326,574	\$ 5,020,842	\$ (305,732)

2003 Budgeted vs Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,752,429	\$ 1,377,580	\$ 374,849
Special Revenue	3,637,452	3,047,290	590,162
Debt Service	2,574	2,574	-
Capital Projects	755,000	474,833	280,167
Internal Service	583,616	633,044	(49,428)
Expendable Trust	96,000	50,101	45,899
Total	\$ 6,827,071	\$ 5,585,422	\$ 1,241,649

4. PROPERTY TAX

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Township 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 and real property located within the Township.

Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

The Summit County Auditor is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Township.

5. CAPITAL LEASE

The District is making installment payments on certain capital equipment. The obligation has an outstanding balance of \$142,138 as of December 31, 2004. The payment schedule follows:

FRANKLIN TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

5. **CAPITAL LEASE** – (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
FY 2005	\$ 29,278	\$ 5,799	\$ 35,077
FY 2006	30,550	4,527	35,077
FY 2007	31,877	3,200	35,077
FY 2008	33,263	1,814	35,077
FY 2009	17,170	369	17,539
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 142,138</u>	<u>\$ 15,709</u>	<u>\$ 157,847</u>

6. **RETIREMENT SYSTEMS**

The Township’s certified firefighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. These plans provide 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, OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of the firefighters participant wages. OPERS members who are police officers contributed 11.2% of their gross salaries and the Township contributed an amount equal to 16.7%. Other OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participant’s gross salaries in 2004 and 2003. OPERS (law enforcement) contributed 10.1% of their salaries. The Township contributed an amount equal to 16.7% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2004.

7. **RISK MANAGEMENT**

Risk Pool Membership

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation. If losses exhaust OTARMA’s retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

FRANKLIN TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

7. RISK MANAGEMENT – (continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,687,203	\$ 27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Net Assets	<u>\$ 17,046,241</u>	<u>\$ 16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Net Assets	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>

8. CONTINGENT LIABILITIES

The Township may be defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes the resolution of these matters will not materially adversely affect the Township's financial condition.

9. SUBSEQUENT EVENT

The Township and the Village of New Franklin have entered into an agreement whereby the Village will take over the operations of the Township as of January 1, 2005. At that time the Township will cease to exist.

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

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

**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
New Franklin, Ohio**

We have audited the financial statements of Franklin Township, Summit County as and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 23, 2005, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State established 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 Controls 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 opinion 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 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 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 operation 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, grant agreements and other matters, 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*. However, we noted other matters involving compliance that we included in a separate letter dated September 23, 2005.

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

Charles E. Harris & Associates, Inc.
September 23, 2005

FRANKLIN TOWNSHIP, SUMMIT COUNTY
For the Years Ended December 31, 2004 and 2003

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Ohio Rev. Code Section 505.24 – Establishing the compensation for a Township Trustee at \$11,706 annually. A trustee was paid \$14,000 annually, which was not to be enacted until a new term in office.	Yes	Corrected, the amount of overpayment was returned to the Township on November 13, 2003.



**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

SUMMIT 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 13, 2005**