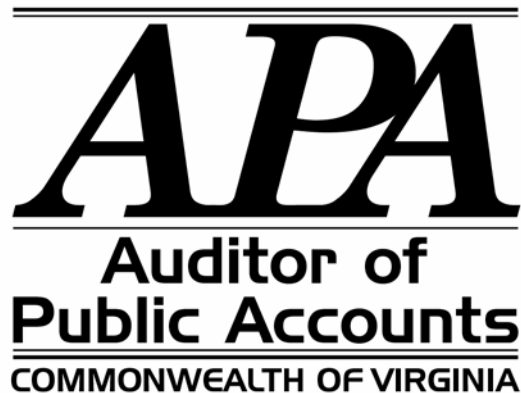


JOHN R. CORNWELL, III, TREASURER
of the
CITY OF FRANKLIN, VIRGINIA

REPORT ON EXAMINATION
of
COMMONWEALTH REVENUES

FOR THE PERIOD
JULY 1, 2004 THROUGH SEPTEMBER 28, 2004



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Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

March 1, 2005

Deloris Holt
Incoming Acting Treasurer

John R. Cornwell, III
Outgoing Treasurer

City Council
City of Franklin

We have examined the accompanying Schedule of the Treasurer's Accountability to the Commonwealth of John R. Cornwell, III, Treasurer of the City of Franklin, for the period July 1, 2004 through September 28, 2004. All records supporting the amounts in this schedule are the Treasurer's responsibility. Our responsibility is to express an opinion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards include examining, on a test basis, evidence supporting the amounts in the Schedule of Treasurer's Accountability and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Section 58.1-3136 of the Code of Virginia requires a turnover audit whenever a treasurer leaves office. The examination determined the accountability of the Treasurer to the Commonwealth of Virginia at September 28, 2004 and turned over the assets, accounts, and records of the office to Deloris Holt, the newly acting Treasurer. The Treasurer resigned on September 28 and was indicted of embezzlement of local funds, which did not include funds due to the Commonwealth of Virginia. The State Police have an on-going investigation.

Our examination determined the accountability of Commonwealth Funds collected and remitted by John R. Cornwell, III, Treasurer of the City of Franklin, Virginia, for the period July 1, 2004 through September 28, 2004, on the cash basis of accounting. This report does address any of the other activities of the Treasurer or his accountability of local collections.

AUDITOR OF PUBLIC ACCOUNTS

CITY OF FRANKLIN
SCHEDULE OF THE TREASURER'S ACCOUNTABILITY TO THE COMMONWEALTH
For the Period Ended September 28, 2004

| | Balance July 1, 2004 | Collections | Remittances | Balance September 28, 2004 |
|---------------------------------------|----------------------------|-------------|-------------|----------------------------------|
| 2004 Taxes: | | | | |
| Estimated income taxes | \$ 2,890 | \$ 102,593 | \$ 105,483 | \$ - |
| 2003 Taxes: | | | | |
| Taxable year income taxes | - | 2,302 | 2,302 | - |
| Other Collections: | | | | |
| Share of fees of sheriff and deputies | - | 6,239 | 6,239 | - |
| Total | \$ 2,890 | \$ 111,134 | \$ 114,024 | \$ - |

This schedule has been prepared on the cash basis of accounting.

CITY OF FRANKLIN

TREASURER

NOTES TO THE SCHEDULE OF ACCOUNTABILITY

FOR THE PERIOD JULY 1, 2004 THROUGH SEPTEMBER 28, 2004

1. SCHEDULE PRESENTATION

The Schedule of Treasurer's Accountability to the Commonwealth represents the Treasurer's accounting for state taxes and fees collected for the Commonwealth of Virginia. The schedule is prepared on the cash basis of accounting.

2. DISCHARGE FROM LIABILITY

In accordance with Section 58.1-3145 of the Code of Virginia, the outgoing treasurer is required to file certificates with the circuit court showing the final settlement of his account as treasurer to secure final discharge from liability.

