

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

*Financial Statements  
(Audited)*

For The Years Ended  
December 31, 2006 and 2005

**CRYSTAL COOK, FISCAL OFFICER**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Franklin Township  
2193 Frank Road  
Columbus, Ohio 43223

We have reviewed the *Independent Auditor's Report* of Franklin Township, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2005 through December 31, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 14, 2007

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**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report**

Franklin Township  
Franklin County  
2193 Frank Road  
Columbus, Ohio 43223

We have audited the accompanying financial statements of Franklin Township (the "Township"), Franklin County, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of Franklin 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 reasonably assure 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 2 to the financial statements, Franklin Township 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 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, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for December 31, 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for December 31, 2006 and 2005. 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 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. 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  
Franklin Township  
Page 2

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Franklin Township as of December 31, 2006 and 2005, 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 cash fund balances of Franklin Township, Franklin County, as of and for the years ended December 31, 2006 and 2005, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

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, 2006 and 2005. 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 25, 2007, 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 grant 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*. You should read it in conjunction with this report in assessing the results of our audit.



Julian & Grube, Inc.  
September 25, 2007

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2006 AND 2005

<u>Cash and Cash Equivalents</u>	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	\$ 741,969	\$ 230,292
Total Cash and Cash Equivalents	<u>\$ 741,969</u>	<u>\$ 230,292</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 159,052	\$ 3,760
Special Revenue Funds	<u>582,917</u>	<u>226,532</u>
Total Governmental Fund Types	<u>741,969</u>	<u>230,292</u>
Total Fund Balances	<u>\$ 741,969</u>	<u>\$ 230,292</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 107,076	\$ 4,027,749	\$ 4,134,825
Intergovernmental	855,275	301,895	1,157,170
Charges for services	-	714,158	714,158
Licenses, permits and fees	110,904	935	111,839
Fines and forfeitures	14,965	-	14,965
Interest	7,869	10,867	18,736
Miscellaneous	5,437	77,115	82,552
Total cash receipts	<u>1,101,526</u>	<u>5,132,719</u>	<u>6,234,245</u>
Cash disbursements:			
Current:			
Public safety	73,756	4,098,873	4,172,629
Health	41,190	-	41,190
Public works	-	273,418	273,418
General government	777,579	-	777,579
Capital outlay	-	67,460	67,460
Debt service:			
Principal retirement	7,109	360,000	367,109
Interest and fiscal charges	-	23,183	23,183
Total cash disbursements	<u>899,634</u>	<u>4,822,934</u>	<u>5,722,568</u>
Total cash receipts over/(under) cash disbursements	<u>201,892</u>	<u>309,785</u>	<u>511,677</u>
Other financing receipts/(disbursements):			
Operating transfers in	-	46,600	46,600
Operating transfers out	(46,600)	-	(46,600)
Advances in	200,000	455,000	655,000
Advances out	(200,000)	(455,000)	(655,000)
Total other financing receipts/(disbursements)	<u>(46,600)</u>	<u>46,600</u>	<u>-</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	155,292	356,385	511,677
Cash fund balances, January 1, 2006	<u>3,760</u>	<u>226,532</u>	<u>230,292</u>
Cash fund balances, December 31, 2006	<u>\$ 159,052</u>	<u>\$ 582,917</u>	<u>\$ 741,969</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**FRANKLIN TOWNSHIP**  
**FRANKLIN COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
 AUTHORITY - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2006

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 10,629	\$ 1,061,358	\$ 1,071,987	\$ 1,301,526	\$ 240,168	\$ -	\$ 1,071,987	\$ 1,071,987	\$ 1,146,234	\$ -	\$ 1,146,234	\$ (74,247)
Special Revenue	<u>219,639</u>	<u>5,437,014</u>	<u>5,656,653</u>	<u>5,634,319</u>	<u>197,305</u>	<u>23</u>	<u>5,656,653</u>	<u>5,656,676</u>	<u>5,277,934</u>	<u>23</u>	<u>5,277,957</u>	<u>378,719</u>
Total (Memorandum Only)	<u>\$ 230,268</u>	<u>\$ 6,498,372</u>	<u>\$ 6,728,640</u>	<u>\$ 6,935,845</u>	<u>\$ 437,473</u>	<u>\$ 23</u>	<u>\$ 6,728,640</u>	<u>\$ 6,728,663</u>	<u>\$ 6,424,168</u>	<u>\$ 23</u>	<u>\$ 6,424,191</u>	<u>\$ 304,472</u>

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 88,764	\$ 2,828,476	\$ 2,917,240
Intergovernmental	841,920	392,680	1,234,600
Fines and forfeitures	20,825	1,533	22,358
Charges for services	-	703,720	703,720
Licenses, permits and fees	22,924	60,935	83,859
Interest	2,291	6,871	9,162
Miscellaneous	<u>26,320</u>	<u>73,725</u>	<u>100,045</u>
Total cash receipts	<u>1,003,044</u>	<u>4,067,940</u>	<u>5,070,984</u>
Cash disbursements:			
Current:			
Public safety	126,133	4,300,534	4,426,667
Health	36,527	-	36,527
Public works	1,026	279,400	280,426
General government	500,913	586	501,499
Capital outlay	4,982	279,439	284,421
Debt service:			
Principal retirement	53,554	203,555	257,109
Interest and fiscal charges	-	19,986	19,986
Total cash disbursements	<u>723,135</u>	<u>5,083,500</u>	<u>5,806,635</u>
Total cash receipts over/(under) cash disbursements	<u>279,909</u>	<u>(1,015,560)</u>	<u>(735,651)</u>
Other financing receipts/(disbursements):			
Proceeds from sale of bonds	-	500,000	500,000
Operating transfers in	-	277,363	277,363
Operating transfers out	(277,363)	-	(277,363)
Advances in	-	183,000	183,000
Advances out	-	(183,000)	(183,000)
Other uses	(49)	-	(49)
Total other financing receipts/(disbursements)	<u>(277,412)</u>	<u>777,363</u>	<u>499,951</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	2,497	(238,197)	(235,700)
Cash fund balances, January 1, 2005	<u>1,263</u>	<u>464,729</u>	<u>465,992</u>
Cash fund balances, December 31, 2005	<u>\$ 3,760</u>	<u>\$ 226,532</u>	<u>\$ 230,292</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 1,261	\$ 1,119,534	\$ 1,120,795	\$ 1,003,044	\$ (116,490)	\$ -	\$ 1,120,745	\$ 1,120,745	\$ 1,000,547	\$ -	\$ 1,000,547	\$ 120,198
Special Revenue	468,955	5,708,762	6,177,717	5,028,303	(680,459)	4,264	6,128,749	6,133,013	5,266,500	23	5,266,523	866,490
Total												
(Memorandum Only)	\$ 470,216	\$ 6,828,296	\$ 7,298,512	\$ 6,031,347	\$ (796,949)	\$ 4,264	\$ 7,249,494	\$ 7,253,758	\$ 6,267,047	\$ 23	\$ 6,267,070	\$ 986,688

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Franklin Township, Franklin 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 road and bridge maintenance, and fire and safety protection and emergency medical services.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Township's accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Township are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Township:

Governmental Fund Types

General Fund

The general fund is used to account for all activities of the Township not required to be included in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for proceeds of specific revenue sources (other than from trusts or for capital projects) that are legally restricted to expenditure for specific purposes.

The Township had the following significant special revenue fund:

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Fire Levy Fund* - This fund receives property tax money for providing fire protection and emergency medical services for Township residents.

**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. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the item level. Any budgetary modifications at this level may only be made by resolution of the Township's Board of Trustees. The Township had several budget modifications throughout the years ended December 31, 2006 and 2005.

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Township by September 1. As part of this certification, the Township receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Township determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Township must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Township legally adopted several supplemental appropriations during 2006 and 2005.

*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.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Township had outstanding encumbrances at December 31, 2006 and 2005.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Township considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Township totaled \$18,736 and \$9,162 for the years ended December 31, 2006 and 2005, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

Capital assets are not capitalized in any of the Township's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Township.

**F. UNPAID VACATION AND SICK 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 liabilities under the basis of accounting used by the Township.

**G. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Township's cash basis method of accounting.

**H. INTERFUND TRANSACTIONS**

During the course of normal operations, the Township had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers. The resources advanced are temporary loans of cash.

**I. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.



**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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 cash equivalents at December 31 was as follows:

	2006	2005
Deposits:		
Demand deposits	\$ 166,690	\$ 161,264
Investments:		
Repurchase Agreement	575,279	69,028
Total deposits and investments	\$ 741,969	\$ 230,292

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

*Investments:* State statutes permit the Township to invest interim deposits in repurchase agreements, that is, an agreement in which the Township transfers cash to a financial institution; the financial institution transfers securities to the Township and promises to repay the cash plus interest in exchange for the same securities. The said securities are uninsured and unregistered and are held in book entry form by a third party, the Federal Reserve, in the name of the financial institution. The purchased securities are limited to only U.S. Treasury and Agency Notes.

**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 on the following June 20.

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

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 4 - PROPERTY TAX - (Continued)**

Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Township due to phasing out of the tax. In calendar years 2006-2010, the Township will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phase out.

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

**NOTE 5 - DEBT OBLIGATIONS**

Debt outstanding at December 31 was as follows:

<u>Description</u>	<u>2006</u>	<u>2005</u>
The Ohio Public Work Commission (OPWC) Loan of \$142,176 was issued to finance the Geneva Avenue Storm Sewer Improvements. The loan will be repaid in semi-annual installments of \$3,554 with a 0% interest rate, over 20 years.	\$ 95,968	\$ 103,077
2004 Fire Levy Tax Anticipation Note, \$500,000, was issued in anticipation of passing a fire levy. The note will bear an interest rate of 3.37%.	-	250,000
2005 Fire Levy Tax Anticipation Note, \$500,000	<u>390,000</u>	<u>500,000</u>
Total debt obligations	<u>\$ 485,968</u>	<u>\$ 853,077</u>

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 5 - DEBT OBLIGATIONS - (Continued)**

Transactions for the total years ended December 31, 2006 and 2005 are summarized as follows:

	<u>Balance</u> <u>01/01/06</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/06</u>
Tax Anticipation Note (2005)	\$ 500,000	\$ -	\$ (110,000)	\$ 390,000
OPWC Loan	103,077	-	(7,109)	95,968
Tax Anticipation Note (2004)	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>
Total	<u>\$ 853,077</u>	<u>\$ -</u>	<u>\$ (367,109)</u>	<u>\$ 485,968</u>

	<u>Balance</u> <u>01/01/05</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/05</u>
Tax Anticipation Note (2005)	\$ -	\$ 500,000	\$ -	\$ 500,000
OPWC Loan	110,186	-	(7,109)	103,077
Tax Anticipation Note (2004)	<u>500,000</u>	<u>-</u>	<u>(250,000)</u>	<u>250,000</u>
Total	<u>\$ 610,186</u>	<u>\$ 500,000</u>	<u>\$ (257,109)</u>	<u>\$ 853,077</u>

Amortization for the above debt is scheduled as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Ohio Public Works</u> <u>Commission Loan</u>	<u>Fire Levy Tax</u>	
		<u>Principal</u>	<u>Interest</u>
2007	\$ 3,554	\$125,000	\$ 17,238
2008	7,109	130,000	11,926
2009	7,109	135,000	6,076
2010	7,108	-	-
2011	7,108	-	-
2012 - 2016	35,544	-	-
2017 - 2020	<u>28,436</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 95,968</u>	<u>\$390,000</u>	<u>\$ 35,240</u>

**NOTE 6 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The Township entered into a lease/purchase agreement with Kansas State Bank of Manhattan for the purchase of a fire truck. The payments for this lease/purchase agreement are made out of the debt service fund.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 6 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2006:

<u>Year Ended December 31,</u>	<u>Payment</u>
2007	\$ 35,746
2008	35,746
2009	<u>35,747</u>
Total minimum lease payments	107,239
Less: amount representing interest	<u>(8,602)</u>
Present value of minimum lease payments	<u>\$ 98,637</u>

**NOTE 7 - 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. The Township's fire, emergency medical services and police belong to the Police & Firemen's Disability & Pension Funds (OP&F).

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OPERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Township contributed an amount equal to 13.70% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. For 2006 and 2005, the Township paid all the employee portion (10%) and employer portion (24%) of the OP&F retirement contributions for full time firefighters. The Township has paid all contributions required through December 31, 2006 and 2005.

**NOTE 8 - RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and Omissions

**Self Insurance**

The Township is self insured for employee health insurance. The Township provides for health benefit payments through regular appropriations. The claims are paid out of the fund responsible for the employee's payroll or by the General Fund. The Township was self-insured for 2005 and traditionally insured for 2006.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 9 - INTERFUND TRANSACTIONS**

The Township had the following interfund transfers for the year ended December 31, 2006:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 46,600
 <u>SPECIAL REVENUE FUNDS</u>		
Police Levy	46,600	-
Total	<u>\$ 46,600</u>	<u>\$ 46,600</u>

The Township had the following interfund transfers for the year ended December 31, 2005:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 277,363
 <u>SPECIAL REVENUE FUNDS:</u>		
Road & Bridge	1,500	-
Fire Levy	20,161	-
Police Levy	255,702	-
Total Special Revenue Funds	<u>277,363</u>	<u>-</u>
Total	<u>\$ 277,363</u>	<u>\$ 277,363</u>

The transfers during the years ended December 31, 2006 and 2005 were made in accordance with the Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 9 - INTERFUND TRANSACTIONS - (Continued)**

The Township had the following interfund advances for the year ended December 31, 2006:

<u>Fund Type/Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ 200,000	\$ 200,000
<u>SPECIAL REVENUE FUNDS:</u>		
Fire Levy	252,000	291,000
Police Levy	56,000	56,000
EMS Services	63,000	108,000
Permissive Tax	84,000	-
Total Special Revenue Funds	<u>455,000</u>	<u>455,000</u>
Total	<u>\$ 655,000</u>	<u>\$ 655,000</u>

The Township had the following interfund advances for the year ended December 31, 2005:

<u>Fund Type/Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
<u>SPECIAL REVENUE FUNDS:</u>		
Fire Levy	\$ 183,000	\$ -
EMS Services	-	99,000
Permissive Tax	-	84,000
Total Special Revenue Funds	<u>183,000</u>	<u>183,000</u>
Total	<u>\$ 183,000</u>	<u>\$ 183,000</u>

**NOTE 10 - CONTINGENT LIABILITIES**

The Township is currently not involved in any litigation.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Required by *Government Auditing Standards***

Franklin Township  
Franklin County  
2193 Frank Road  
Columbus, Ohio 43223

We have audited the financial statements of Franklin Township as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 25, 2007, wherein we noted Franklin 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 the *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 Franklin Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Franklin Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Franklin Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of Franklin Township's financial statements that is more than inconsequential will not be prevented or detected by Franklin Township's internal control. We consider 2006-FT-001 and 2006-FT-003, the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

Board of Trustees  
Franklin Township

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Franklin Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that area also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-FT-001 and 2006-FT-003 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance whether Franklin 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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2006-FT-002, 2006-FT-004, and 2006-FT-005.

We noted certain matters that we reported to management of Franklin Township in a separate letter dated September 25, 2007.

Franklin Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Franklin Township's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management, the Trustees of Franklin Township and others within the entity, and is not intended to be and should not be used by anyone other than those specified.



Julian & Grube, Inc.  
September 25, 2007



**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
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Finding Number	2006-FT-001
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**Significant Deficiency/Material Weakness**

It was noted during the audit that the bank statement and fund balances were not reconciled on a monthly basis to zero or to an easily identifiable difference for the years ended December 31, 2006 and 2005.

It is important to properly reconcile bank statements monthly to easily identify discrepancies in cash and the Township records and to ensure all amounts are properly recorded.

Once the reconciliations were performed in 2007, the 2006 differences totaled \$5,988.16 and the 2005 differences totaled \$6,551.37. Of these overall differences, there were 10 and 26 individual transaction discrepancies not identified until the audit was performed for the years ended December 31, 2006 and 2005.

We recommend that the bank account be reconciled monthly to the Township UAN system and that all reconciling items be promptly investigated and adjusted, if necessary with adequate explanations and approval by the Trustees. We further recommend that the Township review and sign off on all monthly bank reconciliations and supporting documentation timely. This will help ensure proper accounting balances. We further recommend the Township consider obtaining a periodic review of transactions recorded and bank reconciliations prior to year end close by a responsible fiscal person. This will help ensure any discrepancies found can be corrected and thus help facilitate more accurate financial reporting.

*Client Response:* The Fiscal Officer has been struggling with this for years and welcomes the adjustments per the 2007 reconciliation and will make an effort to balance to zero “unadjusted differences” each month.

Finding Number	2006-FT-002
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Ohio Revised Code Sections 135.21, 135.351 and 5705.10 maintain various requirements regarding the allocation of interest among funds. As a general rule, interest earned must be credited to the general fund of the subdivision with some exceptions; including, but not limited to, interest derived from a motor vehicle license or fuel tax must follow the principal.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-FT-002 - (Continued)

For the years ended December 31, 2006 and 2005 the Township did not allocate interest earned to the Motor Vehicle License, Gasoline Tax, Road and Bridge and Permissive Tax funds as required. Audited financial statements were adjusted to properly record interest earned in the financial statements.

The Township is not accurately reflecting its various fund balances by not allocating interest earnings to the required funds.

We recommend that the Township properly record interest earnings in the required funds according to the requirements above. The amount of the allocation should be calculated and documented on a monthly basis by a method prescribed by the Auditor of State's office.

*Client Response:* The current Fiscal Officer is not running in the next election and the Board of Trustees will inform the new Fiscal Officer of the requirement.

Finding Number	2006-FT-003
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**Significant Deficiency/Material Weakness**

Based upon results of observations made during our audit, we noted the Township had receipts and disbursements that were posted incorrectly in accordance with the Township handbook and the Ohio Revised Code.

In general, an accounting and information system should be designed to provide management with accurate and timely financial information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

The following adjustments were necessary to properly state the Township's financial statements:

2006

- A. Cable Franchise Fees in the general fund in the amount of \$75,879 were originally recorded in Miscellaneous receipts, \$75,879 was reclassified to Licenses, Permits and Fee receipts in accordance with the Township handbook.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-FT-003 - (Continued)

- B. Capital outlay in the amount of \$9,794 and interest expense in the amount of \$9,535 were recorded in the principal retirement line item, the audited financial statements were adjusted to properly reflect these line items in the Special Revenue Fund Type - Fire Levy.
  
- C. Capital outlay in the amount of \$35,746 and interest expense in the amount of \$13,648 were improperly recorded in the principal retirement and Public Safety line items, respectively, improperly. The audited financial statements were adjusted to properly reflect these line items in the Special Revenue Fund Type - Ambulance, Fire and Emergency Services fund.

2005

- A. The Township recorded proceeds of notes (\$500,000), Cable Franchise Fees (\$60,935) and Fire Contract Fees (\$45,000) in Miscellaneous receipts in the Special Revenue Fund Type - Fire Levy Fund. In accordance with the Township handbook, these were reclassified to proceeds of Notes, Licenses, Permits and Fees and Charges for Services, respectively for presentation in the audited financial statements.
  
- B. The Township recorded \$14,870 of capital outlay, \$19,986 of interest expense and \$20,000 of Security of Persons and Property expenditures in the principal retirement line item of the Special Revenue Fund Type - Fire Levy Fund. These amounts were reclassified as noted above in their respective appropriate line items in the audited financial statements.
  
- C. The Township recorded \$50,000 of principal retirement in Security of Persons and Property line item and, \$20,290 of capital outlay in the principal retirement line item in the Ambulance, Fire and Emergency Services Special Revenue Fund Type fund. The audited financial statements have been adjusted to properly reflect the appropriate line items in accordance with the Township handbook.

We strongly suggest that the Township seriously consider creating an accounting and information environment that will facilitate the production of accurate financial information and related preparation of financial statements and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended to allow for management to guide and direct the Township in the future. This may require and be achieved by additional training for the Fiscal Officer.

Client Response: The Township Fiscal Officer is not running in the next election; however, the Township will offer the new Fiscal Officer the Township handbook for guidance.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-FT-004

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

For the year ended December 31, 2006, 26 out of 97 expenditures tested were not certified in a timely manner and 18 out of 89 expenditures tested were not certified in a timely manner for the year ended December 31, 2005.

Without certification, the Township may expend more funds than available in the Treasury, in the process of collection or then funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money to be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure stated adopted by the council and distributed at least annually may be beneficial. The Township should consider using the "Then" and "Now" certificates where applicable.

Client Response: The Township Fiscal Officer is attempting to create and utilize the purchase order system.

Finding Number	2006-FT-005
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Ohio Revised Code Section 5705.10 in part addresses interfund advances and the restriction on the purpose for which funds may be used. In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established.

It was noted during the audit for the year ended December 31, 2005, the Township advanced monies to the fire levy fund from the permissive tax fund whose purpose was something other than fire levy purposes.

The Township has advanced monies to its fire levy fund from the permissive tax fund against statutory authority. This advance was returned to the permissive tax fund from the fire levy fund during the year ended December 31, 2006.

We recommend the Township monitor its fund balances and anticipated revenues and expenditures to ensure funds maintain a positive balance. In addition, we recommend the Township follow the guidelines of 5705.10 when advancing monies and Auditor of State Bulletin 97-003.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-FT-005 - (Continued)

*Client Response:* The Township Fiscal Officer and Trustees were unaware of the requirement regarding that funds must be for the same purpose. The Township will comply in future years with Ohio Revised Code Section 5705.10.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2004-FT-001	Ohio Revised Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.	Yes	N/A



**Mary Taylor, CPA**  
Auditor of State

**FRANKLIN TOWNSHIP**

**FRANKLIN 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  
NOVEMBER 29, 2007**