

**PRAIRIE TOWNSHIP
FRANKLIN COUNTY, OHIO**

Financial Statements
(Audited)

For The Year Ended
December 31, 2006 and 2005

LORI MONTAG, FISCAL OFFICER



Mary Taylor, CPA
Auditor of State

Board of Trustees
Prairie Township
23 Maple Drive
Columbus, Ohio 43228

We have reviewed the *Independent Auditor's Report* of Prairie 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.

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. Prairie Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 25, 2007

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**PRAIRIE TOWNSHIP
FRANKLIN COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Trustees
Prairie Township
23 Maple Drive
Columbus, Ohio 43228

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Prairie Township, Franklin County, as of and for the years ended December 31, 2006 and 2005, which collectively comprise Prairie Township's financial statements as listed in the table of contents. These financial statements are the responsibility of Prairie Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. 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 opinions.

As discussed in Note 2, Prairie Township prepares its financial statements and notes on the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Prairie Township, Franklin County, Ohio, as of December 31, 2006 and 2005, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the General Fund and Special Revenue fund: Fire fund, thereof and for the years then ended in conformity with the basis of accounting as described in Note 2.

Independent Auditor's Report
Prairie Township
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2007, on our consideration of Prairie Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
August 23, 2007

Prairie Township, Ohio
Franklin County
Management's Discussion and Analysis
For The Years Ended December 31, 2006 and 2005
Unaudited

The management's discussion and analysis of Prairie Township's (the "Township") financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's modified cash basis of accounting. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the modified cash-basis financial statements and the notes to the financial statements to enhance their understanding of the Township's financial performance.

Financial Highlights

Key financial highlights for 2006 and 2005 are as follows:

- For fiscal year 2006, the total net cash assets of the Township increased \$55,015 or .82%. For fiscal year 2005, the total net cash assets of the Township decreased \$1,323,770, which represents a 16.52% decrease over fiscal year 2004.
- For fiscal year 2006, general cash receipts accounted for \$5,726,422 or 74.84% of total governmental activities cash receipts and program specific cash receipts accounted for \$1,925,033 or 25.16% of total governmental activities cash receipts. For fiscal year 2005, general cash receipts accounted for \$4,674,933 or 77.46% of total governmental activities cash receipts and program specific cash receipts accounted for \$1,360,218 or 22.54% of total governmental activities cash receipts.
- For fiscal year 2006, the Township had \$7,596,440 in cash disbursements related to governmental activities; \$1,925,033 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily grant entitlements and taxes) of \$5,726,422 were adequate to provide for these programs. For fiscal year 2005, the Township had \$7,358,921 in cash disbursements related to governmental activities; \$1,360,218 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily grants, entitlements and taxes) of \$4,674,933 were not adequate to provide for these programs.
- The Township's major funds are the General fund and Special Revenue - Fire fund for 2006 and 2005 and Capital Projects fund - Palmetto Road Improvement for 2006. The General fund, the Township's largest major fund, had cash receipts and other financing sources of \$1,634,966 and \$1,849,167 in 2006 and 2005 respectively. The cash disbursements and other financing uses of the General fund, totaled \$1,556,837 and \$3,124,569 in 2006 and 2005 respectively. The general fund's cash balance increased \$78,129 from 2005 to 2006, and decreased \$1,275,402 from 2004 to 2005.
- The Fire fund, a Township major fund, had cash receipts of \$3,760,062 and \$2,784,298 in 2006 and 2005, respectively. The Fire fund had cash disbursements of \$3,715,901 and \$2,744,830 in 2006 and 2005, respectively. The Fire fund cash balance increased \$44,161 from 2005 to 2006 and increased \$39,468 from 2004 to 2005.
- The Palmetto Road Improvement fund, a Township major fund, had cash receipts and other financing sources of \$895,716 in 2006. The Palmetto Road Improvement fund had cash disbursements of \$895,716 in 2006.

Prairie Township, Ohio
Franklin County
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Using this Modified Cash Basis Financial Statements (BFS)

This modified cash basis annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Township's modified cash basis of accounting. The Statement of Net Assets - Modified Cash Basis and Statement of Activities - Modified Cash Basis provide information about the activities of the whole Township, presenting an aggregate view of the Township's modified cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Township's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Township, there are three major governmental funds in 2006 and two major governmental funds in 2005, the general fund is the largest major fund.

Reporting the Township as a Whole

Statement of Net Asset - Modified Cash Basis and the Statement of Activities – Modified Cash Basis

The Statement of Net Assets - Modified Cash Basis and the Statement of Activities - Modified Cash Basis answer the question, "How did we do financially during 2006 and 2005?" These statements include only net assets using the modified cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the Township's net modified cash assets and changes in those assets on a modified cash basis. This change in net modified cash assets is important because it tells the reader that, for the Township as a whole, the modified cash basis financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Township's property tax base, current property tax laws in Ohio, availability of federal and state funding, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

In the Statement of Net Assets - Modified Cash Basis and the Statement of Activities - Modified Cash Basis, the Governmental Activities include the Township's programs and services, including public safety, public works and general governmental services. The Statement of Net Assets - Modified Cash Basis and the Statement of Activities - Modified Cash Basis can be found on pages 14 - 15 and 21 - 22 of this report, for the years ended December 31, 2006 and 2005, respectively.

Prairie Township, Ohio
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Reporting the Township's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township are governmental funds or fiduciary funds.

Fund financial reports provide detailed information about the Township's major funds. The Township uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Township's most significant funds. The Township's major governmental funds are the General Fund and Fire fund for 2006 and 2005 and the Palmetto Road Improvement fund for 2006 only. The analysis of the Township's major governmental funds begins on page 10.

Governmental Funds

All of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer modified cash basis financial resources that can be readily spent to finance various Township programs. Since the Township is reporting on the modified cash basis of accounting, there are no differences in the Net Assets and fund modified cash balances or changes in Net Assets and changes in fund modified cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities - Modified Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities - Modified Cash Basis. The governmental fund statements can be found on pages 16 - 17, and 23 - 24 for the years ended December 31, 2006 and 2005, respectively, of this report.

The Township's budgetary process accounts for transactions on the budgetary basis of accounting. The difference between the budgetary basis of accounting and the modified cash basis of accounting is that encumbrances at year-end are recorded as a disbursement on the budgetary basis of accounting whereas on the modified cash basis, the disbursement is only recorded when cash is paid. The budgetary statements for the General fund and Fire Levy fund are presented to demonstrate the Township's compliance with annually adopted budgets. The budgetary statements can be found on pages 18 - 19 and 25 - 26 for the years ended December 31, 2006 and 2005, respectively.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The Township's fiduciary fund is an agency fund for developer bonds and permits. The fiduciary fund statement can be found on page 20 and 27 for the years ended December 31, 2006 and 2005, respectively of this report.

Prairie Township, Ohio
Franklin County
Management's Discussion and Analysis
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Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 - 39 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets - Modified Cash Basis provides the perspective of the Township as a whole. Since 2005 was the Township's first year preparing modified cash basis financial statements on a format consistent with GASB Statement No. 34, comparisons to 2004 are not available. In future years, when prior year information is available, a comparative analysis will be presented.

The table below provides a summary of the Township's net modified cash assets for 2006 and 2005.

	Net Modified Cash Assets	
	Governmental Activities 2006	Governmental Activities 2005
<u>Assets</u>		
Equity in pooled cash, cash equivalents and investments	\$ 6,743,379	\$ 6,688,364
Total assets	\$ 6,743,379	\$ 6,688,364
<u>Net Assets</u>		
Restricted	1,443,344	1,466,458
Unrestricted	5,300,035	5,221,906
Total net assets	\$ 6,743,379	\$ 6,688,364

For fiscal year 2006, net assets of the Township increased \$55,015 or .82%.

The balance of government-wide unrestricted net cash assets of \$5,300,035 and \$5,221,906 for the years ended December 31, 2006 and 2005, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

Prairie Township, Ohio
Franklin County
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The table below shows the changes in net modified cash assets for fiscal years 2006 and 2005. Fiscal year 2005, is the first year for modified cash basis government-wide financial statements; therefore, a comparison with prior years is not available.

	<u>Change in Net Modified Cash Assets</u>	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
Cash Receipts:		
Program cash receipts:		
Charges for services	\$ 587,998	\$ 693,161
Operating grants and contributions	158,170	137,486
Capital grants and contributions	<u>1,178,865</u>	<u>529,571</u>
Total program cash receipts	<u>1,925,033</u>	<u>1,360,218</u>
General cash receipts:		
Property taxes and other taxes	4,281,486	3,274,304
Unrestricted grants	894,709	937,753
Investment Earnings	252,333	193,600
Other	<u>297,894</u>	<u>269,276</u>
Total general cash receipts	<u>5,726,422</u>	<u>4,674,933</u>
Total cash receipts	<u>7,651,455</u>	<u>6,035,151</u>
Cash Disbursements:		
Current:		
General Government	732,414	1,612,409
Public Safety	3,920,355	3,888,192
Public Works	1,212,625	1,017,881
Health	194,338	152,107
Conservation - recreation	3,071	27,668
Capital outlay	<u>1,533,637</u>	<u>660,664</u>
Total cash disbursements	<u>7,596,440</u>	<u>7,358,921</u>
Change in net cash assets	55,015	(1,323,770)
Net cash assets at beginning of year	<u>6,688,364</u>	<u>8,012,134</u>
Net cash assets at end of year	<u>\$ 6,743,379</u>	<u>\$ 6,688,364</u>

Governmental Activities

Governmental modified cash assets increased by \$55,015 in 2006 from 2005 and decreased \$1,323,770 in 2005 from 2004.

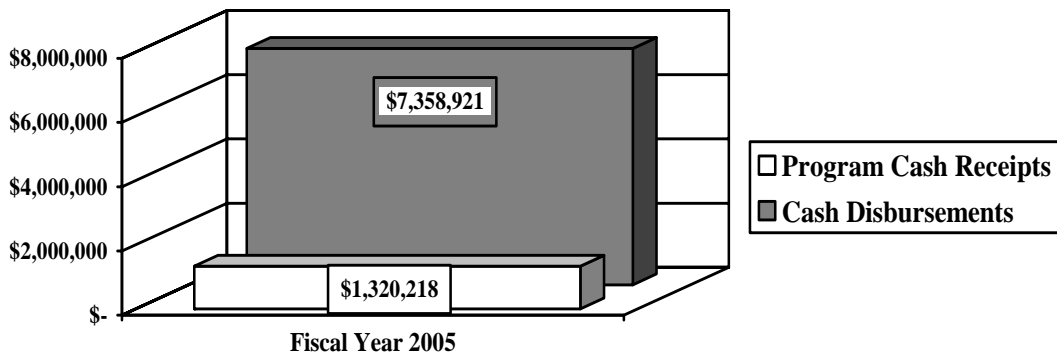
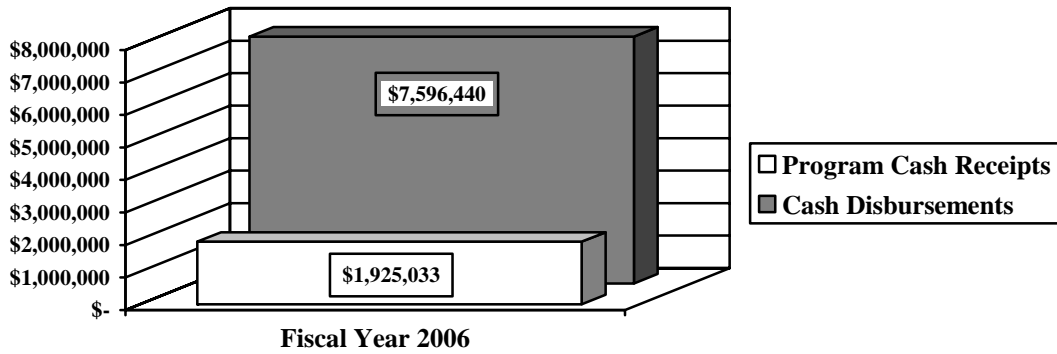
General Government represents activities related to the governing body as well as activities that directly support Township programs. In 2006, general government cash disbursements totaled \$732,414, or 9.6% of total governmental cash disbursements. In 2005, general government cash disbursements totaled \$1,612,409, or 21.91% of total governmental cash disbursements.

Prairie Township, Ohio
 Franklin County
 Management's Discussion and Analysis
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In 2006 and 2005, the public safety programs accounted for \$3,920,355 and \$3,888,192, respectively, of total governmental cash disbursements, respectively. These operations are primarily supported through operating grants and taxes.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2006 and 2005. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

Governmental Activities - Program Cash Receipts vs. Total Cash Disbursements



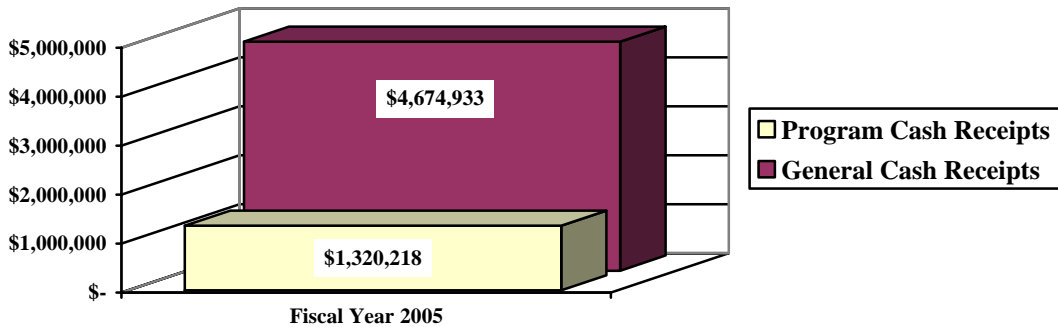
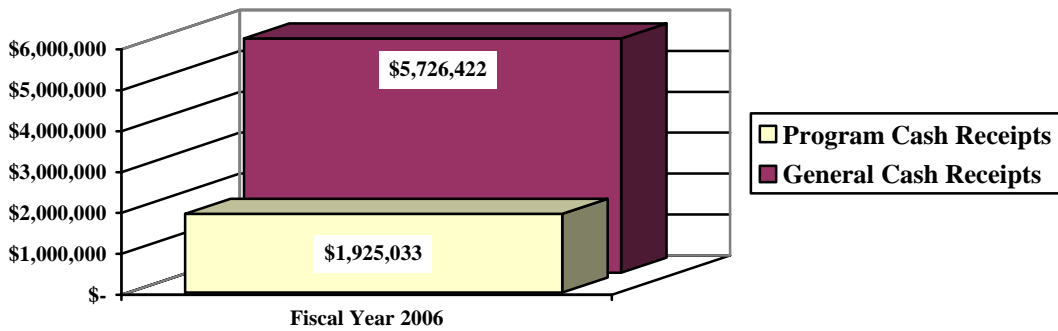
The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Prairie Township, Ohio
Franklin County
Management's Discussion and Analysis
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	<u>Governmental Activities</u>		<u>Governmental Activities</u>	
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Cash disbursements:				
Current:				
General government	\$ 732,414	\$ (690,883)	\$ 1,612,409	\$ (1,570,542)
Public Safety	3,920,355	(3,617,475)	3,888,192	(3,483,912)
Public Works	1,212,625	270,198	1,017,881	(189,899)
Health	194,338	(95,539)	152,107	(66,018)
Conservation-Recreation	3,071	(3,071)	27,668	(27,668)
Capital outlay	<u>1,533,637</u>	<u>(1,533,637)</u>	<u>660,664</u>	<u>(660,664)</u>
Total	<u>\$ 7,596,440</u>	<u>\$ (5,670,407)</u>	<u>\$ 7,358,921</u>	<u>\$ (5,998,703)</u>

The dependence upon general cash receipts for governmental activities is apparent; with 74.65% and 81.52% of cash disbursements supported through taxes and other general cash receipts during 2006 and 2005, respectively. The graph below shows the governmental activities program cash receipts versus general cash receipts for 2006 and 2005:

Governmental Activities - General and Program Cash Receipts



Prairie Township, Ohio
Franklin County
Management's Discussion and Analysis
For The Years Ended December 31, 2006 and 2005
Unaudited

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Township's governmental funds are accounted for using the modified cash basis of accounting.

The Township's governmental funds reported combined fund cash balances of \$6,743,379 and \$6,688,364 in 2006 and 2005, respectively, which is \$55,015 above and \$1,323,770 below the previous years' totals of \$6,688,364 and \$8,012,134, respectively. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2006 and December 31, 2005, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2006</u>	<u>Fund Cash Balance</u> <u>December 31, 2005</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 5,300,035	\$ 5,221,906	\$ 78,129
Fire Fund	376,685	332,524	44,161
Palmetto Road Improvement	-	-	-
Other Nonmajor Governmental Funds	<u>1,066,659</u>	<u>1,133,934</u>	<u>(67,275)</u>
Total	<u>\$ 6,743,379</u>	<u>\$ 6,688,364</u>	<u>\$ 55,015</u>

The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2005 and December 2004, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2005</u>	<u>Fund Cash Balance</u> <u>December 31, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 5,221,906	\$ 6,497,308	\$ (1,275,402)
Fire Fund	332,524	293,056	39,468
Other Nonmajor Governmental Funds	<u>1,133,934</u>	<u>1,221,770</u>	<u>(87,836)</u>
Total	<u>\$ 6,688,364</u>	<u>\$ 8,012,134</u>	<u>\$ (1,323,770)</u>

General Fund

The General fund, the Township's largest major fund, had cash receipts and other financing sources of \$1,634,966 and \$1,849,167 in 2006 and 2005, respectively. The cash disbursements and other financing uses of the General fund, totaled \$1,556,837 and \$3,124,569 in 2006 and 2005, respectively. The general fund's cash balance increased \$78,129 from 2006 to 2005 and decreased \$1,275,402 from 2004 to 2005.

Prairie Township, Ohio
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The table that follows assists in illustrating the cash receipts of the General fund received in 2006 and 2005.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 196,167	\$ 275,587	(28.82) %
Intergovernmental	915,303	957,700	(4.43) %
Investment income	240,731	192,144	25.29 %
Other	<u>251,315</u>	<u>227,447</u>	10.49 %
Total	<u>\$ 1,603,516</u>	<u>\$ 1,652,878</u>	(2.99) %

Intergovernmental revenue decreased due to a decrease in local government funding.

The table that follows assists in illustrating the cash receipts of the General fund received in 2005 and 2004.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 275,587	\$ 185,117	48.87 %
Intergovernmental	957,700	937,322	2.17 %
Investment income	192,144	308,862	(37.79) %
Other	<u>227,447</u>	<u>114,185</u>	99.19 %
Total	<u>\$ 1,652,878</u>	<u>\$ 1,545,486</u>	6.95 %

Investment revenue increased due to increased interest rates.

The table that follows assists in illustrating the expenditures of the General fund disbursed in 2006 and 2005.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
General government	\$ 732,414	\$ 1,612,409	(54.58) %
Public Safety	263,857	624,511	(57.75) %
Public Works	426,508	434,822	(1.91) %
Health	53,334	47,791	11.60 %
Conservation-Recreation	3,071	27,668	(88.90) %
Capital Outlay	<u>24,210</u>	<u>97,192</u>	(75.09) %
Total	<u>\$ 1,503,394</u>	<u>\$ 2,844,393</u>	(47.15) %

The general government variance was primarily due to decrease in disbursements between 2006 and 2005 related to general Township activities. Overall, cash disbursements decreased \$1,340,999 from 2005.

Prairie Township, Ohio
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Management's Discussion and Analysis
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Unaudited

The table that follows assists in illustrating the expenditures of the General fund disbursed in 2005 and 2004.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
General government	\$ 1,612,409	\$ 1,389,008	16.08 %
Public Safety	624,511	215,000	190.47 %
Public Works	434,822	971,295	(55.23) %
Health	47,791	48,361	(1.18) %
Conservation-Recreation	27,668	8,933	209.73 %
Capital Outlay	<u>97,192</u>	<u>27,429</u>	254.34 %
Total	<u>\$ 2,844,393</u>	<u>\$ 2,660,026</u>	6.93 %

The General government variance was primarily due to increase in disbursements between 2005 and 2004 for general Township activities. Overall, cash disbursements increased \$184,367 from 2004.

Fire Fund

The Fire Fund, a Township major fund, had cash receipts of \$3,760,062 and \$2,784,298 in 2006 and 2005, respectively. The Fire fund had cash disbursements of \$3,715,901 and \$2,744,830 in 2006 and 2005, respectively. The Fire fund cash balance increased \$44,161 from 2005 to 2006 and increased \$39,468 from 2004 to 2005.

Palmetto Road Improvement Fund

The Palmetto Road Improvement fund, a Township major fund in 2006, had cash receipts and other financing sources of \$895,716 in 2006. The Palmetto Road Improvement fund had cash disbursements of \$895,716 in 2006. The Palmetto Road Improvement fund cash balance had no change from 2005 to 2006.

Budgeting Highlights - General Fund

The Township's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of modified cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

In 2006, for the General fund, final budget basis receipts and other sources of \$1,347,500 was the same as the original budget estimate. Actual cash receipts and other sources of \$1,634,966 were more than final budget estimates by \$287,466. The final budgetary basis disbursements and other financing uses of \$1,684,420 were the same as the original budget estimate. The actual budgetary basis disbursements and other financing uses of \$1,570,819 were \$113,601 less than the final budget estimates.

In 2005, for the General fund, final budget receipts and other sources of \$1,396,500 was the same as the original budget estimate. Actual cash receipts and other sources of \$1,849,167 were more than final budget estimates by \$452,667. The final budgetary basis disbursements and other financing uses of \$3,757,800 were \$737,000 above original budget estimates of \$3,020,800. The actual budgetary basis disbursements and other financing uses of \$3,175,122 were \$582,678 less than the final budget estimates.

Prairie Township, Ohio
Franklin County
Management's Discussion and Analysis
For The Years Ended December 31, 2006 and 2005
Unaudited

Capital Assets and Debt Administration

Capital Assets

The Township does not record capital assets in the accompanying financial statements, but records payments for capital assets as disbursements. The Township had capital outlay disbursements of \$1,533,637 and \$660,664 during fiscal year 2006 and 2005, respectively.

Economic Factors and Next Year's Budgets and Rates

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds may be cut by 10% in the next biennial State budget. Sales and property tax revenues are expected to remain consistent as well as expenditures.

These economic factors were considered in preparing the Township's budget for fiscal year 2006 and 2005. The Township has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Lori Montag, Fiscal Officer, 23 Maple Drive, Columbus, OH 43228.

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
Assets:	
Equity in pooled cash, cash equivalents and investments	\$ 6,743,379
Total assets.	6,743,379
Net assets:	
Restricted for:	
Perpetual care:	
NonExpendable	2,004
Capital projects	65,729
Fire	376,685
Other purposes	998,926
Unrestricted	5,300,035
Total net assets	\$ 6,743,379

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

		Program Cash Receipts				Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Current:						
General government	\$ 732,414	\$ 41,531	\$ -	\$ -		\$ (690,883)
Public safety	3,920,355	302,880	-	-		(3,617,475)
Public works	1,212,625	145,788	158,170	1,178,865		270,198
Health	194,338	97,799	-	-		(96,539)
Conservation-recreation.	3,071	-	-	-		(3,071)
Capital outlay.	1,533,637	-	-	-		(1,533,637)
Total governmental activities	\$ 7,596,440	\$ 587,998	\$ 158,170	\$ 1,178,865		(5,671,407)
General Cash Receipts and Transfers:						
Property and other taxes						4,281,486
Grants and entitlements not restricted to specific programs.						894,709
Earnings on investments						252,333
Miscellaneous						297,894
Total general cash receipts						5,726,422
Change in net cash assets						55,015
Net cash assets at beginning of year.						6,688,364
Net cash assets at end of year						\$ 6,743,379

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM MODIFIED CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash assets:				
Equity in pooled cash, cash equivalents and investments . . .	\$ 5,300,035	\$ 376,685	\$ 1,066,659	\$ 6,743,379
Total assets	<u>\$ 5,300,035</u>	<u>\$ 376,685</u>	<u>\$ 1,066,659</u>	<u>\$ 6,743,379</u>
Fund cash balances:				
Reserved for encumbrances.	\$ 13,982	\$ 6,423	\$ 359,262	\$ 379,667
Unreserved, undesignated (deficit), reported in:				
General fund.	5,286,053	-	-	5,286,053
Special revenue funds	-	370,262	874,521	1,244,783
Capital projects fund	-	-	(169,128)	(169,128)
Permanent fund	-	-	2,004	2,004
Total fund cash balances	<u>\$ 5,300,035</u>	<u>\$ 376,685</u>	<u>\$ 1,066,659</u>	<u>\$ 6,743,379</u>

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Fire Fund	Palmetto Road Improvement	Other Governmental Funds	Total Governmental Funds
Cash receipts:					
Taxes	\$ 196,167	\$ 3,354,070	\$ -	\$ 404,309	\$ 3,954,546
Charges for Services	30,545	-	-	302,880	333,425
Licenses, permits and fees	18,108	-	-	37,799	55,907
Fines and Forfeitures	23,423	-	-	-	23,423
Intergovernmental	915,303	387,323	887,727	379,127	2,569,480
Special Assessments	-	-	-	104,449	104,449
Earnings on investments	240,731	-	-	11,602	252,333
Miscellaneous	179,239	18,669	-	159,479	357,387
Total cash receipts	<u>1,603,516</u>	<u>3,760,062</u>	<u>887,727</u>	<u>1,399,645</u>	<u>7,650,950</u>
Cash disbursements:					
Current:					
General government	732,414	-	-	-	732,414
Public safety	263,857	3,553,430	-	103,068	3,920,355
Public works	426,508	-	-	786,117	1,212,625
Health	53,334	-	-	141,004	194,338
Conservation-recreation	3,071	-	-	-	3,071
Capital outlay	24,210	162,471	895,716	451,240	1,533,637
Total cash disbursements	<u>1,503,394</u>	<u>3,715,901</u>	<u>895,716</u>	<u>1,481,429</u>	<u>7,596,440</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>100,122</u>	<u>44,161</u>	<u>(7,989)</u>	<u>(81,784)</u>	<u>54,510</u>
Other financing sources (uses):					
Operating transfers in	-	-	7,989	3,234	11,223
Operating transfers out	(11,223)	-	-	-	(11,223)
Advances in	30,945	-	-	42,220	73,165
Advances out	(42,220)	-	-	(30,945)	(73,165)
Other sources	505	-	-	-	505
Total other financing sources (uses)	<u>(21,993)</u>	<u>-</u>	<u>7,989</u>	<u>14,509</u>	<u>505</u>
Net change in fund cash balances	78,129	44,161	-	(67,275)	55,015
Cash basis fund balances at beginning of year .	<u>5,221,906</u>	<u>332,524</u>	<u>-</u>	<u>1,133,934</u>	<u>6,688,364</u>
Cash basis fund balances at end of year	<u>\$ 5,300,035</u>	<u>\$ 376,685</u>	<u>\$ -</u>	<u>\$ 1,066,659</u>	<u>\$ 6,743,379</u>

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Taxes	\$ 189,000	\$ 189,000	\$ 196,167	\$ 7,167
Charges for Services	5,000	5,000	30,545	25,545
Licenses, permits and fees	15,000	15,000	18,108	3,108
Fines and Forfeitures	17,500	17,500	23,423	5,923
Intergovernmental	871,000	871,000	915,303	44,303
Interest.	110,000	110,000	240,731	130,731
Miscellaneous	125,000	125,000	179,239	54,239
Total budgetary basis receipts.	<u>1,332,500</u>	<u>1,332,500</u>	<u>1,603,516</u>	<u>271,016</u>
Budgetary basis disbursements:				
Current:				
General government	859,182	828,848	746,396	82,452
Public safety	267,000	267,000	263,857	3,143
Public works	483,238	449,351	426,508	22,843
Health	50,000	53,334	53,334	-
Conservation-recreation.	7,500	7,500	3,071	4,429
Capital outlay.	7,500	24,933	24,210	723
Total budgetary basis disbursements	<u>1,674,420</u>	<u>1,630,966</u>	<u>1,517,376</u>	<u>113,590</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . .	<u>(341,920)</u>	<u>(298,466)</u>	<u>86,140</u>	<u>384,606</u>
Other financing sources/(uses):				
Operating transfers out	(10,000)	(11,234)	(11,223)	11
Advances in	15,000	15,000	30,945	15,945
Advances out	-	(42,220)	(42,220)	-
Other sources	-	-	505	505
Total other financing sources/(uses)	<u>5,000</u>	<u>(38,454)</u>	<u>(21,993)</u>	<u>16,461</u>
Net change in fund cash balance	(336,920)	(336,920)	64,147	401,067
Cash basis fund balance at beginning of year	5,171,353	5,171,353	5,171,353	-
Prior year encumbrances appropriated	<u>50,553</u>	<u>50,553</u>	<u>50,553</u>	<u>-</u>
Cash basis fund balance at end of year	<u>\$ 4,884,986</u>	<u>\$ 4,884,986</u>	<u>\$ 5,286,053</u>	<u>\$ 401,067</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 3,605,000	\$ 3,605,000	\$ 3,354,070	\$ (250,930)
Intergovernmental.	310,000	310,000	387,323	77,323
Miscellaneous.	5,000	5,000	18,669	13,669
Total budgetary basis receipts	<u>3,920,000</u>	<u>3,920,000</u>	<u>3,760,062</u>	<u>(159,938)</u>
Budgetary basis disbursements:				
Current:				
Public safety.	3,742,889	3,742,889	3,559,853	183,036
Capital outlay	200,000	200,000	162,471	37,529
Total budgetary basis disbursements.	<u>3,942,889</u>	<u>3,942,889</u>	<u>3,722,324</u>	<u>220,565</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(22,889)</u>	<u>(22,889)</u>	<u>37,738</u>	<u>60,627</u>
Net change in fund cash balance	<u>(22,889)</u>	<u>(22,889)</u>	<u>37,738</u>	<u>60,627</u>
Cash basis fund balance at beginning of year	327,024	327,024	327,024	-
Prior year encumbrances appropriated	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>-</u>
Cash basis fund balance at end of year.	<u>\$ 309,635</u>	<u>\$ 309,635</u>	<u>\$ 370,262</u>	<u>\$ 60,627</u>

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS AGENCY FUND - MODIFIED CASH BASIS
DECEMBER 31, 2006

	<u>Agency</u>
Assets:	
Equity in pooled cash, cash equivalents and investments. . .	\$ 2,090
Total assets.	<u>2,090</u>
Net assets:	
Restricted for:	
Other purposes	<u>2,090</u>
Total net assets	<u>\$ 2,090</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
Assets:	
Equity in pooled cash, cash equivalents and investments	\$ 6,688,364
Total assets.	6,688,364
Net assets:	
Restricted for:	
Perpetual care:	
NonExpendable	2,004
Capital projects	65,729
Fire	332,524
Other purposes	1,066,201
Unrestricted	5,221,906
Total net assets	\$ 6,688,364

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

		Program Cash Receipts				Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Current:						
General government	\$ 1,612,409	\$ 41,867	\$ -	\$ -		\$ (1,570,542)
Public safety	3,888,192	404,280	-	-		(3,483,912)
Public works	1,017,881	160,925	137,486	529,571		(189,899)
Health	152,107	86,089	-	-		(66,018)
Conservation-recreation	27,668	-	-	-		(27,668)
Capital outlay	660,664	-	-	-		(660,664)
Total governmental activities	\$ 7,358,921	\$ 693,161	\$ 137,486	\$ 529,571		(5,998,703)
General Cash Receipts and Transfers:						
Property and other taxes						3,274,304
Grants and entitlements not restricted to specific programs						937,753
Earnings on investments						193,600
Miscellaneous						269,276
Total general cash receipts						4,674,933
Change in net cash assets						(1,323,770)
Net cash assets at beginning of year						8,012,134
Net cash assets at end of year						\$ 6,688,364

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM MODIFIED CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General	Fire Fund	Other Governmental Funds	Total Governmental Funds
Cash assets:				
Equity in pooled cash, cash equivalents and investments	\$ 5,221,906	\$ 332,524	\$ 1,133,934	\$ 6,688,364
Total assets	<u>\$ 5,221,906</u>	<u>\$ 332,524</u>	<u>\$ 1,133,934</u>	<u>\$ 6,688,364</u>
Fund cash balances:				
Reserved for encumbrances.	\$ 50,553	\$ 5,500	\$ 918,806	\$ 974,859
Unreserved, undesignated (deficit), reported in:				
General fund.	5,171,353	-	-	5,171,353
Special revenue funds	-	327,024	995,563	1,322,587
Capital projects fund	-	-	(782,439)	(782,439)
Permanent fund	-	-	2,004	2,004
Total fund cash balances	<u>\$ 5,221,906</u>	<u>\$ 332,524</u>	<u>\$ 1,133,934</u>	<u>\$ 6,688,364</u>

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
Taxes	\$ 275,587	\$ 2,377,971	\$ 389,925	\$ 3,043,483
Charges for Services.	27,896	-	404,280	432,176
Licenses, permits and fees.	17,926	-	37,639	55,565
Fines and Forfeitures	23,941	-	-	23,941
Intergovernmental.	957,700	310,720	598,204	1,866,624
Special Assessments.	-	-	102,037	102,037
Earnings on investments.	192,144	-	1,456	193,600
Miscellaneous	157,684	95,607	63,917	317,208
Total cash receipts	<u>1,652,878</u>	<u>2,784,298</u>	<u>1,597,458</u>	<u>6,034,634</u>
Cash disbursements:				
Current:				
General government.	1,612,409	-	-	1,612,409
Public safety.	624,511	2,741,124	522,557	3,888,192
Public works.	434,822	-	583,059	1,017,881
Health	47,791	-	104,316	152,107
Conservation-recreation	27,668	-	-	27,668
Capital outlay	97,192	3,706	559,766	660,664
Total cash disbursements	<u>2,844,393</u>	<u>2,744,830</u>	<u>1,769,698</u>	<u>7,358,921</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(1,191,515)</u>	<u>39,468</u>	<u>(172,240)</u>	<u>(1,324,287)</u>
Other financing sources (uses):				
Operating transfers in	-	-	75,256	75,256
Operating transfers out	(75,256)	-	-	(75,256)
Advances in	195,772	-	204,920	400,692
Advances out	(204,920)	-	(195,772)	(400,692)
Other sources	517	-	-	517
Total other financing sources (uses).	<u>(83,887)</u>	<u>-</u>	<u>84,404</u>	<u>517</u>
Net change in fund cash balances	(1,275,402)	39,468	(87,836)	(1,323,770)
Cash basis fund balances at beginning of year (restated)	<u>6,497,308</u>	<u>293,056</u>	<u>1,221,770</u>	<u>8,012,134</u>
Cash basis fund balances at end of year . . .	<u>\$ 5,221,906</u>	<u>\$ 332,524</u>	<u>\$ 1,133,934</u>	<u>\$ 6,688,364</u>

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Taxes	\$ 164,000	\$ 164,000	\$ 275,587	\$ 111,587
Charges for Services	-	-	27,896	27,896
Licenses, permits and fees	30,000	30,000	17,926	(12,074)
Fines and Forfeitures	22,000	22,000	23,941	1,941
Intergovernmental	870,000	870,000	957,700	87,700
Interest.	110,000	110,000	192,144	82,144
Miscellaneous	200,500	200,500	157,684	(42,816)
Total budgetary basis receipts.	<u>1,396,500</u>	<u>1,396,500</u>	<u>1,652,878</u>	<u>256,378</u>
Budgetary basis disbursements:				
Current:				
General government.	1,273,614	1,914,877	1,612,409	302,468
Public safety.	634,696	625,696	624,511	1,185
Public works.	859,590	743,514	485,375	258,139
Health	50,000	50,000	47,791	2,209
Conservation-recreation	10,000	34,237	27,668	6,569
Capital outlay.	182,900	99,300	97,192	2,108
Total budgetary basis disbursements	<u>3,010,800</u>	<u>3,467,624</u>	<u>2,894,946</u>	<u>572,678</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(1,614,300)</u>	<u>(2,071,124)</u>	<u>(1,242,068)</u>	<u>829,056</u>
Other financing sources/(uses):				
Operating transfers out	(10,000)	(85,256)	(75,256)	10,000
Advances in	-	-	195,772	195,772
Advances out	-	(204,920)	(204,920)	-
Other sources	-	-	517	517
Total other financing sources/(uses)	<u>(10,000)</u>	<u>(290,176)</u>	<u>(83,887)</u>	<u>206,289</u>
Net change in fund cash balance	(1,624,300)	(2,361,300)	(1,325,955)	1,035,345
Cash basis fund balance at beginning of year	5,899,852	5,899,852	5,899,852	-
Prior year encumbrances appropriated	<u>597,456</u>	<u>597,456</u>	<u>597,456</u>	<u>-</u>
Cash basis fund balance at end of year	<u>\$ 4,873,008</u>	<u>\$ 4,136,008</u>	<u>\$ 5,171,353</u>	<u>\$ 1,035,345</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
FIRE FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 2,645,000	\$ 2,645,000	\$ 2,377,971	\$ (267,029)
Intergovernmental.	300,000	300,000	310,720	10,720
Miscellaneous.	5,000	5,000	95,607	90,607
Total budgetary basis receipts	<u>2,950,000</u>	<u>2,950,000</u>	<u>2,784,298</u>	<u>(165,702)</u>
Budgetary basis disbursements:				
Current:				
Public safety.	2,877,396	2,877,396	2,746,624	130,772
Capital Outlay	39,500	39,500	3,706	35,794
Total budgetary basis disbursements.	<u>2,916,896</u>	<u>2,916,896</u>	<u>2,750,330</u>	<u>166,566</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>33,104</u>	<u>33,104</u>	<u>33,968</u>	<u>864</u>
Net change in fund cash balance	<u>33,104</u>	<u>33,104</u>	<u>33,968</u>	<u>864</u>
Cash basis fund balance at beginning of year	288,982	288,982	288,982	-
Prior year encumbrances appropriated	<u>4,074</u>	<u>4,074</u>	<u>4,074</u>	<u>-</u>
Cash basis fund balance at end of year.	<u>\$ 326,160</u>	<u>\$ 326,160</u>	<u>\$ 327,024</u>	<u>\$ 864</u>

**PRAIRIE TOWNSHIP, OHIO
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS AGENCY FUND - MODIFIED CASH BASIS
DECEMBER 31, 2005

	<u>Agency</u>
Assets:	
Equity in pooled cash, cash equivalents and investments	\$ 2,112
Total assets	<u>2,112</u>
Net assets:	
Restricted for:	
Other purposes	<u>2,112</u>
Total net assets	<u>\$ 2,112</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Reporting Entity

The Prairie Township, Franklin County, Ohio (the "Township"), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, fire protection, and cemetery maintenance. The Township contracts with the Franklin County Sheriff's Department to provide police protection.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township does not have any component units.

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

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements are those activities of the Township that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

Prairie Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net assets presents the modified cash, cash equivalents and investments of the governmental activities of the Township at December 31, 2006 and 2005. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental fund are the General Fund- this fund is used to account for all financial resources of the Township except those required to be accounted for 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 Fund Type - Fire Fund - this fund receives real estate and personal property taxes to provide for fire services and operations and Capital Projects Fund Type - Palmetto Road Improvement - this fund receives grant proceeds for road improvement for the year ended 2006 and the General Fund, and Special Revenue Fund Type - Fire Fund for the year ended December 31, 2005.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township does not have any private purpose trust funds, pension trust funds or investment trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for developer bonds and permits.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements at the level of control selected by the Township. The legal level of control has been established at the item level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments".

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts, respectively.

During 2006 and 2005, the Township invested in nonnegotiable certificates of deposit, Federal Home Loan Securities and STAR Ohio. The nonnegotiable certificates of deposit and the Federal Home Loan Securities are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006 and 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 were \$240,731 and \$192,144, respectively, which includes \$43,124 and \$37,884, respectively, assigned from other Township funds.

Note 2 - Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township did not have any restricted assets at December 31, 2006 and 2005.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Township had no long-term obligations at December 31, 2006 and 2005.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road improvement and security protection. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 2 - Summary of Significant Accounting Policies (continued)

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township had neither in 2006 or 2005.

Note 3 - Change in Basis of Accounting and Restatement of Fund Equity

For the year ended December 31, 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. Beginning January 1, 2005, the Township has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Some funds have been reclassified to follow the categories required by the cash basis of accounting as described in Note 2.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and major special revenue fund: fire levy are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at years end (budgetary basis) December 31, 2006 and 2005 amounted to \$13,982 and \$50,553, respectively, for the general fund and \$6,423 and \$5,500, respectively, for the major special revenue fund: fire levy.

Note 5 - Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Prairie Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 5 - Deposits and Investments (continued)

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items 1 and 2, above and repurchase agreements secured by such obligations, provided that investments in such securities are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, December 31, 2006 and 2005 \$202,020 and \$102,112, respectively of the Township's bank balance of \$592,815 and \$1,315,412, respectively was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments

As of December 31, 2006, the Township had the following investments:

	<u>Carrying Value</u>	<u>% of Total</u>	<u>Fair Value</u>	<u>% of Total</u>
Federal Loan Home Securities	\$ 4,729,550	76.87	\$ 4,690,108	76.72
Money Market Mutual Fund	32,475	0.53	32,475	0.53
STAR Ohio	<u>1,390,629</u>	<u>22.60</u>	<u>1,390,629</u>	<u>22.75</u>
Total Portfolio	<u>\$ 6,152,654</u>	<u>100.00</u>	<u>\$ 6,113,212</u>	<u>100.00</u>

Prairie Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 5 - Deposits and Investments (continued)

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1 - 2</u>	<u>3 - 5</u>
Federal Home Loan Securities	\$ 4,729,550	\$ 1,946,574	\$ 1,642,560	\$ 1,140,416
Money Market Fund	32,475	32,475	-	-
STAR Ohio	<u>1,390,629</u>	<u>1,390,629</u>	-	-
Total Investments	<u>\$ 6,152,654</u>	<u>\$ 3,369,678</u>	<u>\$ 1,642,560</u>	<u>\$ 1,140,416</u>

As of December 31, 2005, the Township had the following investments:

	<u>Carrying Value</u>	<u>% of Total</u>	<u>Fair Value</u>	<u>% of Total</u>
Federal Home Loan Securities	\$ 2,993,976	55.70	\$ 2,939,709	55.25
Money Market Mutual Fund	59,819	1.11	59,819	1.12
STAR Ohio	<u>2,321,269</u>	<u>43.19</u>	<u>2,321,269</u>	<u>43.63</u>
Total Portfolio	<u>\$ 5,375,064</u>	<u>100.00</u>	<u>\$ 5,320,797</u>	<u>100.00</u>

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1 - 2</u>	<u>3 - 5</u>
Federal Home Loan Securities	\$ 2,993,976	\$ 542,098	\$ 1,003,827	\$ 1,448,051
Money Market Fund	59,819	59,819	-	-
STAR Ohio	<u>2,321,269</u>	<u>2,321,269</u>	-	-
Total Investments	<u>\$ 5,375,064</u>	<u>\$ 2,923,186</u>	<u>\$ 1,003,827</u>	<u>\$ 1,448,051</u>

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

The Money Market Fund carries a rating of Aaa by Moody's and AAA by SNP, in addition STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Township's name. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee".

Prairie Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 6 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes. Real property taxes received in 2006 and 2005 were levied after October 1, 2005 and 2004, on the assessed values as of January 1, 2005 and 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes. Public utility real and tangible personal property taxes received in 2006 and 2005 became a lien on December 31, 2005 and 2004, were levied after October 1, 2005 and 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2006 and 2005 (other than public utility property) represent the collection of 2006 and 2005 taxes. Tangible personal property taxes received in 2006 and 2005 were levied after October 1, 2005 and 2004, on the true value as of December 31, 2005 and 2004. 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. 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 phased out.

The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

	<u>2006</u>	<u>2005</u>
Real Property		
Residential	\$ 243,832,540	\$ 208,496,010
Agricultural	5,581,690	5,520,100
Commercial/Industrial/Mineral	39,561,170	35,081,890
Tangible Personal Property		
Business	4,183,705	6,573,359
Public Utility	<u>20,170,160</u>	<u>19,469,420</u>
Total Assessed Value	<u>\$ 313,329,265</u>	<u>\$ 275,140,779</u>

Note 7 - Risk Management

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

	2006	2005
Assets	\$ 9,620,148	\$8,219,430
Liabilities	(3,329,620)	(2,748,639)
Members' Equity	\$ 6,290,528	\$5,470,791

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org

Note 8 - Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Prairie Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 8 - Defined Benefit Pension Plan (continued)

For the years ended December 31, 2006 and 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent and 8.5 percent, respectively, of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.0 percent of their annual covered salary; members in public safety contributed 9.0 percent. The Township's contribution rate for pension benefits for 2006 and 2005 was 9.20 percent and 9.55 percent, respectively, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.43 percent and 12.70 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005 and 2004 were \$185,507, \$189,546, and \$152,801, respectively. The full amount has been contributed for 2006, 2005 and 2004.

B. Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 19.50 percent and 11.75 percent for police and 24.00 percent and 16.25 percent for firefighters for the years ended December 31, 2006 and 2005, respectively. Contributions are authorized by State statute. The Township's contributions to the fund for police and firefighters was \$604,240, \$561,817 and \$533,631 for the years ended December 31, 2006, 2005 and 2004, respectively. The full amount has been contributed for 2006, 2005 and 2004.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.70 percent and 13.55 percent of covered payroll (16.93 percent and 16.70 percent for public safety and law enforcement); 4.50 percent and 4.00 percent of covered payroll was the portion that was used to fund health care for the years ended December 31, 2006 and 2005, respectively.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005 (the latest available information), include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.00 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 percent and 6.00 percent annually for the next nine years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

Prairie Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 9 - Postemployment Benefits (continued)

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$1,000,006. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.50 percent of covered payroll and the firefighter contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for 2006 and 2005 that were used to fund postemployment benefits was \$27,190 and \$22,473, respectively. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108.039 million, which was net of member contributions of \$55.272 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

Note 10 - Interfund Transactions

During 2006 and 2005, the following transfers were made:

	2006	2005
Transfers from the General Fund to:		
Palmetto Road Improvement	\$ 7,989	\$ -
Other Governmental Funds	3,234	75,256
Total Transfers from the General Fund	\$ 11,223	\$ 75,256

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Prairie Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 10 - Interfund Transactions (continued)

During 2006 and 2005 the following advances were made:

	<u>2006</u>	<u>2005</u>
Advances from the General Fund to:		
Other Governmental Funds	\$ 42,220	\$ 204,920
 Total Advances from the General Fund	 \$ 42,220	 \$ 204,920
	<u>2006</u>	<u>2005</u>
Advances from the Other Governmental Funds to:		
General Fund	\$ 30,945	\$195,772

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Advances represent temporary loans to other funds on a short-term basis. Advances out of the General fund in 2006 and 2005 were to sidewalk assessment funds. As the assessment monies are collected off the tax settlement statements, the General fund is repaid. 2006 and 2005 advances in are partial repayment on sidewalk assessment advances.

At December 31, 2006, the outstanding advances due to the General fund are as follows:

<u>Fund</u>	<u>Amount</u>
2003 Sidewalk assessment	\$ 41,182
2004 Sidewalk assessment	106,213
2005 Sidewalk assessment	26,507
2006 Sidewalk assessment	34,673

Note 11 - Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



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
Performed in Accordance With *Government Auditing Standards***

Board of Trustees
Prairie Township
23 Maple Drive
Columbus, Ohio 43228

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Prairie Township, Franklin County, Ohio, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 23, 2007, wherein we noted Prairie Township prepared its financial statements on the modified cash basis, a comprehensive basis of accounting other 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 Prairie Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prairie Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Prairie Township's internal control over financial reporting.

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 functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Prairie 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 Prairie Township's financial statements that is more than inconsequential will not be prevented or detected by Prairie Township's internal control.

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 Prairie 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Trustees
Prairie Township

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Prairie Township in a separate letter dated August 23, 2007.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
August 23, 2007



Mary Taylor, CPA
Auditor of State

PRAIRIE 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 8, 2007**