

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

*Financial Statements  
(Audited)*

For The Years Ended  
December 31, 2004 and 2003

**CRYSTAL COOK, CLERK**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of Franklin Township, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Franklin Township, Franklin County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 18, 2005

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**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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# JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Westerville, Ohio 43082

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## Independent Auditor's Report

Franklin Township  
Franklin County  
2193 Frank Road  
Columbus, Ohio 43223

We have audited the accompanying financial statements of Franklin Township (the “Township”), Franklin County, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of Franklin Township’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, Franklin Township prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Franklin Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of Franklin Township, Franklin County, as of and for the year ended December 31, 2004 and 2003, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

Independent Auditor's Report  
Franklin Township  
Page 2

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Julian & Grube, Inc.  
September 16, 2005

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2004 AND 2003

| <u>Cash and Cash Equivalents</u> | <u>2004</u>              | <u>2003</u>              |
|----------------------------------|--------------------------|--------------------------|
| Cash and Cash Equivalents        | <u>\$ 465,992</u>        | <u>\$ 489,172</u>        |
| Total Cash and Cash Equivalents  | <u><u>\$ 465,992</u></u> | <u><u>\$ 489,172</u></u> |
| <br><u>Cash Fund Balances</u>    |                          |                          |
| <u>Governmental Fund Types:</u>  |                          |                          |
| General Fund                     | \$ 1,263                 | \$ 20,150                |
| Special Revenue Funds            | <u>464,729</u>           | <u>469,022</u>           |
| Total Governmental Fund Types    | <u>465,992</u>           | <u>489,172</u>           |
| Total Fund Balances              | <u><u>\$ 465,992</u></u> | <u><u>\$ 489,172</u></u> |

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



**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

|  | Governmental Fund Types |                    | Total<br>(Memorandum<br>Only) |
|--|-------------------------|--------------------|-------------------------------|
|  | General                 | Special<br>Revenue |                               |
| Cash receipts:   |                         |                    |                               |
| Local taxes  | \$ 76,535               | \$ 2,625,992       | \$ 2,702,527                  |
| Intergovernmental  | 909,445                 | 273,495            | 1,182,940                     |
| Charges for services   | -                       | 435,862            | 435,862                       |
| Fines, licenses, and permits   | 87,184                  | 40,919             | 128,103                       |
| Interest   | 4,301                   | 8                  | 4,309                         |
| Miscellaneous  | 42,328                  | 68,144             | 110,472                       |
| Total cash receipts  | <u>1,119,793</u>        | <u>3,444,420</u>   | <u>4,564,213</u>              |
| Cash disbursements:  |                         |                    |                               |
| Current:   |                         |                    |                               |
| Public safety  | 105,417                 | 3,953,668          | 4,059,085                     |
| Health   | 40,081                  | -                  | 40,081                        |
| Public works   | -                       | 259,464            | 259,464                       |
| General government   | 705,473                 | 7,109              | 712,582                       |
| Capital outlay   | 4,900                   | 4,172              | 9,072                         |
| Debt service:  |                         |                    |                               |
| Principal retirement   | 7,109                   | -                  | 7,109                         |
| Total cash disbursements   | <u>862,980</u>          | <u>4,224,413</u>   | <u>5,087,393</u>              |
| Total cash receipts over/(under) cash disbursements  | <u>256,813</u>          | <u>(779,993)</u>   | <u>(523,180)</u>              |
| Other financing receipts/(disbursements):  |                         |                    |                               |
| Proceeds of loans  | -                       | 500,000            | 500,000                       |
| Operating transfers in   | -                       | 265,700            | 265,700                       |
| Operating transfers out  | (265,700)               | -                  | (265,700)                     |
| Advances in  | -                       | 74,000             | 74,000                        |
| Advances out   | (10,000)                | (64,000)           | (74,000)                      |
| Total other financing receipts/(disbursements)   | <u>(275,700)</u>        | <u>775,700</u>     | <u>500,000</u>                |
| Excess of cash receipts and other financing<br>receipts over/(under) cash disbursements<br>and other financing disbursements | (18,887)                | (4,293)            | (23,180)                      |
| Cash fund balances, January 1, 2004  | <u>20,150</u>           | <u>469,022</u>     | <u>489,172</u>                |
| Cash fund balances, December 31, 2004  | <u>\$ 1,263</u>         | <u>\$ 464,729</u>  | <u>\$ 465,992</u>             |

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

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2004

| Fund Types        | Receipts                                    |                     |                                 |                         |  | Disbursements                             |                        |                     |                              |  |                     |  |
|-------------------|---|---------------------|---------------------------------|-------------------------|--|---|------------------------|---------------------|------------------------------|--|---------------------|--|
|                   | County<br>Certified<br>Unencumbered<br>Cash | Budget              | Total<br>Estimated<br>Resources | Actual 2004<br>Receipts | Variance<br>Favorable<br>(Unfavorable) | Prior Year<br>Carryover<br>Appropriations | 2004<br>Appropriations | Total               | Actual 2004<br>Disbursements | Encumbrances<br>Outstanding<br>at 12/31/04 | Total               | Variance<br>Favorable<br>(Unfavorable) |
| Governmental:     |   |                     |                                 |                         |  |   |                        |                     |                              |  |                     |  |
| General           | \$ 20,150                                   | \$ 1,153,130        | \$ 1,173,280                    | \$ 1,119,793            | \$ (33,337)                            | \$ -                                      | \$ 1,173,280           | \$ 1,173,280        | \$ 1,138,680                 | \$ -                                       | \$ 1,138,680        | \$ 34,600                              |
| Special Revenue   | <u>449,522</u>                              | <u>4,318,817</u>    | <u>4,768,339</u>                | <u>4,284,120</u>        | <u>(34,697)</u>                        | <u>19,500</u>                             | <u>4,290,828</u>       | <u>4,310,328</u>    | <u>4,288,413</u>             | <u>4,264</u>                               | <u>4,292,677</u>    | <u>17,651</u>                          |
| Total             |   |                     |                                 |                         |  |   |                        |                     |                              |  |                     |  |
| (Memorandum Only) | <u>\$ 469,672</u>                           | <u>\$ 5,471,947</u> | <u>\$ 5,941,619</u>             | <u>\$ 5,403,913</u>     | <u>\$ (68,034)</u>                     | <u>\$ 19,500</u>                          | <u>\$ 5,464,108</u>    | <u>\$ 5,483,608</u> | <u>\$ 5,427,093</u>          | <u>\$ 4,264</u>                            | <u>\$ 5,431,357</u> | <u>\$ 52,251</u>                       |

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

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

|  | Governmental Fund Types |                    |                     | Total<br>(Memorandum<br>Only) |
|--|-------------------------|--------------------|---------------------|-------------------------------|
|  | General                 | Special<br>Revenue | Capital<br>Projects |                               |
| Cash receipts:   |                         |                    |                     |                               |
| Local taxes  | \$ 62,749               | \$ 2,487,067       | \$ -                | \$ 2,549,816                  |
| Intergovernmental  | 939,516                 | 309,950            | -                   | 1,249,466                     |
| Charges for services   | -                       | 334,458            | -                   | 334,458                       |
| Fines, licenses, and permits   | 103,216                 | 1,686              | -                   | 104,902                       |
| Interest   | 7,811                   | 676                | -                   | 8,487                         |
| Miscellaneous  | 53,606                  | 52,649             | -                   | 106,255                       |
| Total cash receipts  | <u>1,166,898</u>        | <u>3,186,486</u>   | <u>-</u>            | <u>4,353,384</u>              |
| Cash disbursements:  |                         |                    |                     |                               |
| Current:   |                         |                    |                     |                               |
| Public safety  | 319,782                 | 3,562,270          | -                   | 3,882,052                     |
| Health   | 44,775                  | -                  | -                   | 44,775                        |
| Public works   | -                       | 366,261            | -                   | 366,261                       |
| General government   | 335,676                 | -                  | -                   | 335,676                       |
| Capital outlay   | 66,176                  | 36,938             | 12,306              | 115,420                       |
| Debt service:  |                         |                    |                     |                               |
| Principal retirement   | 7,109                   | -                  | -                   | 7,109                         |
| Total cash disbursements   | <u>773,518</u>          | <u>3,965,469</u>   | <u>12,306</u>       | <u>4,751,293</u>              |
| Total cash receipts over/(under) cash disbursements  | <u>393,380</u>          | <u>(778,983)</u>   | <u>(12,306)</u>     | <u>(397,909)</u>              |
| Other financing receipts/(disbursements):  |                         |                    |                     |                               |
| Operating transfers in   | -                       | 626,000            | -                   | 626,000                       |
| Operating transfers out  | (626,000)               | -                  | -                   | (626,000)                     |
| Advances in  | -                       | 142,000            | -                   | 142,000                       |
| Advances out   | -                       | (142,000)          | -                   | (142,000)                     |
| Other sources  | 21,519                  | -                  | -                   | 21,519                        |
| Total other financing receipts/(disbursements)   | <u>(604,481)</u>        | <u>626,000</u>     | <u>-</u>            | <u>21,519</u>                 |
| Excess of cash receipts and other financing<br>receipts over/(under) cash disbursements<br>and other financing disbursements | (211,101)               | (152,983)          | (12,306)            | (376,390)                     |
| Cash fund balances, January 1, 2003  | <u>231,251</u>          | <u>622,005</u>     | <u>12,306</u>       | <u>865,562</u>                |
| Cash fund balances, December 31, 2003  | <u>\$ 20,150</u>        | <u>\$ 469,022</u>  | <u>\$ -</u>         | <u>\$ 489,172</u>             |

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

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2003

| Fund Types        | Receipts                                    |                     |                                 |                         |  | Disbursements                             |                        |                     |                              |  |                     |  |
|-------------------|---|---------------------|---------------------------------|-------------------------|--|---|------------------------|---------------------|------------------------------|--|---------------------|--|
|                   | County<br>Certified<br>Unencumbered<br>Cash | Budget              | Total<br>Estimated<br>Resources | Actual 2003<br>Receipts | Variance<br>Favorable<br>(Unfavorable) | Prior Year<br>Carryover<br>Appropriations | 2003<br>Appropriations | Total               | Actual 2003<br>Disbursements | Encumbrances<br>Outstanding<br>at 12/31/03 | Total               | Variance<br>Favorable<br>(Unfavorable) |
| Governmental:     |   |                     |                                 |                         |  |   |                        |                     |                              |  |                     |  |
| General           | \$ 245,378                                  | \$ 1,224,962        | \$ 1,470,340                    | \$ 1,188,417            | \$ (36,545)                            | \$ -                                      | \$ 1,470,340           | \$ 1,470,340        | \$ 1,399,518                 | \$ -                                       | \$ 1,399,518        | \$ 70,822                              |
| Special Revenue   | 589,460                                     | 3,928,870           | 4,518,330                       | 3,954,486               | 25,616                                 | 18,417                                    | 4,444,433              | 4,462,850           | 4,107,469                    | 19,500                                     | 4,126,969           | 335,881                                |
| Capital Projects  | <u>12,306</u>                               | <u>-</u>            | <u>12,306</u>                   | <u>-</u>                | <u>-</u>                               | <u>-</u>                                  | <u>12,306</u>          | <u>12,306</u>       | <u>12,306</u>                | <u>-</u>                                   | <u>12,306</u>       | <u>-</u>                               |
| Total             |   |                     |                                 |                         |  |   |                        |                     |                              |  |                     |  |
| (Memorandum Only) | <u>\$ 847,144</u>                           | <u>\$ 5,153,832</u> | <u>\$ 6,000,976</u>             | <u>\$ 5,142,903</u>     | <u>\$ (10,929)</u>                     | <u>\$ 18,417</u>                          | <u>\$ 5,927,079</u>    | <u>\$ 5,945,496</u> | <u>\$ 5,519,293</u>          | <u>\$ 19,500</u>                           | <u>\$ 5,538,793</u> | <u>\$ 406,703</u>                      |

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Franklin Township, Franklin County, Ohio, (the "Township") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, and fire and safety protection and emergency medical services.

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

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

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

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

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

Governmental Fund Types

General Fund

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

Special Revenue Funds

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

The Township had the following significant special revenue funds:

*Police Levy Fund* - This fund receives property tax money for providing security of persons and property for Township residents.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

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

*Fire Levy Fund* - This fund receives property tax money for providing security of persons and property for Township residents.

*Ambulance and Emergency Medical Services Fund* - This fund receives EMS run revenue for providing EMS services.

Capital Projects Fund

*Permanent Improvement Fund* - This fund is used to account for all transactions related to the acquiring, constructing, or improving of permanent improvements(except those financed through enterprise funds).

**B. BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Township's Board of Trustees. The Township had several budget modifications throughout the years ended December 31, 2004 and 2003.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

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

*Tax Budget:*

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

*Estimated Resources:*

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

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Township legally adopted several supplemental appropriations during 2004 and 2003.

*Encumbrances:*

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Township had outstanding encumbrances at December 31, 2004 and 2003.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Township considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Township totaled \$4,309 and \$8,487 for the years ended December 31, 2004 and 2003, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

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

**F. UNPAID VACATION AND SICK LEAVE**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**G. INTERGOVERNMENTAL REVENUES**

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

**H. INTERFUND TRANSACTIONS**

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



**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

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

**I. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

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

**NOTE 3 - COMPLIANCE**

In noncompliance with Ohio Revised Code Section 5705.41(B), the following funds had expenditures in excess of appropriations for the years ended December 31, 2004 and 2003:

| <u>Fund Type/Fund</u>        | <u>Appropriations</u> | <u>Expenditures</u> | <u>Excess</u> |
|------------------------------|-----------------------|---------------------|---------------|
| <u>2004</u>                  |                       |                     |               |
| <u>Special Revenue Funds</u> |                       |                     |               |
| Fire Levy                    | \$ 2,522,796          | \$ 2,766,561        | \$ 243,765    |
| Ambulance & Emergency        | 357,988               | 406,303             | 48,315        |
| <u>2003</u>                  |                       |                     |               |
| <u>Special Revenue Funds</u> |                       |                     |               |
| Road & Bridge                | 178,652               | 181,303             | 2,651         |
| Police Levy                  | 796,116               | 807,037             | 10,921        |

**NOTE 4 - CASH AND CASH EQUIVALENTS**

The Township maintains a cash and investment pool used by all. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and cash equivalents at December 31 was as follows:

|                                | <u>2004</u>              | <u>2003</u>              |
|--------------------------------|--------------------------|--------------------------|
| Deposits:                      |                          |                          |
| Demand deposits                | <u>\$ 318,936</u>        | <u>\$ 140,126</u>        |
| Investments:                   |                          |                          |
| Repurchase Agreement           | <u>147,056</u>           | <u>349,046</u>           |
| Total deposits and investments | <u><u>\$ 465,992</u></u> | <u><u>\$ 489,172</u></u> |

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

**NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)**

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

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

**NOTE 5 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due on the following June 20.

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

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

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

**NOTE 6 - DEBT**

Debt outstanding at December 31, 2004 was as follows:

|                                  | <u>Principal</u> | <u>Interest Rate</u> |
|----------------------------------|------------------|----------------------|
| Rural Development Authority Loan | \$ 110,187       | 0                    |
| Fire Levy Tax Anticipation Note  | 500,000          | 3.37                 |

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

**NOTE 6 - DEBT OBLIGATIONS - (Continued)**

The Ohio Public Works Commission (OPWC) Loan of \$142,176 was issued to finance the Geneva Avenue Storm Sewer Improvements. The loan will be repaid on semi-annual installments of \$3,554.40 with a 0% interest rate, over 20 years.

The Fire Levy Tax Anticipation Note, \$500,000, was issued in anticipation of passing a fire levy. The Note will bear an interest rate of 3.37%.

Transactions for the years ended December 31, 2004 and 2003 are summarized as follows:

|                       | <u>Balance<br/>01/01/04</u> | <u>Proceeds</u>   | <u>Retirements</u> | <u>Balance at<br/>12/31/04</u> |
|-----------------------|-----------------------------|-------------------|--------------------|--------------------------------|
| OPWC                  | \$ 117,295                  | \$ -              | \$ (7,109)         | \$ 110,186                     |
| Tax Anticipation Note | <u>-</u>                    | <u>500,000</u>    | <u>-</u>           | <u>500,000</u>                 |
| Total                 | <u>\$ 117,295</u>           | <u>\$ 500,000</u> | <u>\$ (7,109)</u>  | <u>\$ 610,186</u>              |

  

|      | <u>Balance<br/>01/01/03</u> | <u>Proceeds</u> | <u>Retirements</u> | <u>Balance at<br/>12/31/03</u> |
|------|-----------------------------|-----------------|--------------------|--------------------------------|
| OPWC | <u>\$ 124,404</u>           | <u>\$ -</u>     | <u>\$ (7,109)</u>  | <u>\$ 117,295</u>              |

Amortization for the above debt is scheduled as follows:

| <u>Year Ending<br/>December 31</u> | <u>Ohio Public Works<br/>Commission Loan</u> | <u>Fire Levy Tax Anticipation Note<br/>Principal</u> | <u>Interest</u>  |
|------------------------------------|--|--|------------------|
| 2005                               | \$ 3,554                                     | \$ 500,000   | \$ 16,850        |
| 2006                               | 7,109  | -  | -                |
| 2007                               | 7,109  | -  | -                |
| 2008                               | 7,109  | -  | -                |
| 2009                               | 7,109  | -  | -                |
| 2010-2014                          | 35,544                                       | -  | -                |
| 2015-2019                          | 35,544                                       | -  | -                |
| 2020                               | <u>7,108</u>                                 | <u>-</u>   | <u>-</u>         |
| Total                              | <u>\$ 110,186</u>                            | <u>\$ 500,000</u>                                    | <u>\$ 16,850</u> |

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

**NOTE 7 - RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS' are cost sharing, multiple-employer plan. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OPERS members contribute 8.5% of their gross salaries. The Township contributes an amount equal to 13.55% of participants' gross salaries. For 2004 and 2003, the Township paid the employee (10%) and employer portion (24.84%) of the OP&F retirement contributions. The Township has paid all OPERS contributions required through December 31, 2004 and 2003.

**NOTE 8 - RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

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

**Self Insurance**

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

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

**NOTE 9 - INTERFUND TRANSACTIONS**

The Township had the following interfund transfers for the year ended December 31, 2004:

| <u>Fund Type/Fund</u>        | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| General Fund                 | \$ -                | \$ 265,700           |
| <u>SPECIAL REVENUE FUNDS</u> |                     |                      |
| Fire Levy                    | 38,000              | -                    |
| Police Levy                  | 227,700             | -                    |
| Total Special Revenue Funds  | 265,700             | -                    |
| Total                        | \$ 265,700          | \$ 265,700           |

The Township had the following interfund transfers for the year ended December 31, 2003:

| <u>Fund Type/Fund</u>         | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------|---------------------|----------------------|
| General Fund                  | \$ -                | \$ 626,000           |
| <u>SPECIAL REVENUE FUNDS:</u> |                     |                      |
| Federal Law Enforcement       | 376                 | -                    |
| Road & Bridge                 | 2,500               | -                    |
| Fire Levy                     | 373,000             | -                    |
| Police Levy                   | 250,124             | -                    |
| Total Special Revenue Funds   | 626,000             | -                    |
| Total                         | \$ 626,000          | \$ 626,000           |

The transfers during the years ended December 31, 2004 and 2003 were made in accordance with the Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

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

The Township had the following interfund advances for the year ended December 31, 2004:

| <u>Fund Type/Fund</u>         | <u>Advances In</u> | <u>Advances Out</u> |
|-------------------------------|--------------------|---------------------|
| General Fund                  | \$ -               | \$ 10,000           |
| <u>SPECIAL REVENUE FUNDS:</u> |                    |                     |
| Fire Levy                     | 64,000             | -                   |
| Police Levy                   | 10,000             | -                   |
| EMS Services                  | -                  | 64,000              |
| Total Special Revenue Funds   | <u>74,000</u>      | <u>64,000</u>       |
| Total                         | <u>\$ 74,000</u>   | <u>\$ 74,000</u>    |

The Township had the following interfund advances for the year ended December 31, 2003:

| <u>Fund Type/Fund</u>         | <u>Advances In</u> | <u>Advances Out</u> |
|-------------------------------|--------------------|---------------------|
| <u>SPECIAL REVENUE FUNDS:</u> |                    |                     |
| Fire Levy                     | \$ 91,000          | \$ 51,000           |
| Permissive Motor Vehicle      | 51,000             | 51,000              |
| EMS Services                  | -                  | 40,000              |
| Total Special Revenue Funds   | <u>142,000</u>     | <u>142,000</u>      |
| Total                         | <u>\$ 142,000</u>  | <u>\$ 142,000</u>   |

**NOTE 10 - CONTINGENT LIABILITIES**

The Township is currently not involved in any litigation.

**NOTE 11 - SUBSEQUENT EVENTS**

The Township settled a lawsuit with a former employee in September 2005. The Township was required to pay the Townships liability insurance deductible of \$10,000.

# JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

333 County Line Road West  
Westerville, Ohio 43082

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

Franklin Township  
Franklin County  
2193 Frank Road  
Columbus, Ohio 43223

We have audited the financial statements of Franklin Township as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 16, 2005 wherein we noted Franklin Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Franklin Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of Franklin Township in a separate letter dated September 16, 2005.

Board of Trustees  
Franklin Township

Compliance and Other Matters

As part of reasonably assuring whether Franklin Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as 2004-FT-001. We also noted other certain immaterial instances of noncompliance and other matters that we reported to the management of the Township in a separate letter dated September 16, 2005.

This report is intended solely for the information of the Trustees and management of Franklin Township and is not intended to be and should not be used by anyone other than those specified

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

Julian & Grube, Inc.  
September 16, 2005



**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO  
DECEMBER 31, 2004 AND 2003**

**SCHEDULE OF FINDINGS**

| <b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |             |
|---|-------------|
| Finding Number  | 2004-FT-001 |

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Township had expenditures in excess of appropriations for the years ended December 31, 2004 and 2003 in the following fund:

| <u>Fund Type/Fund</u>        | <u>Appropriations</u> | <u>Expenditures</u> | <u>Excess</u> |
|------------------------------|-----------------------|---------------------|---------------|
| <u>2004</u>                  |                       |                     |               |
| <u>Special Revenue Funds</u> |                       |                     |               |
| Fire Levy                    | \$ 2,522,796          | \$ 27,665,651       | \$ 243,765    |
| Ambulance & Emergency        | 357,988               | 406,303             | 48,315        |
| <u>2003</u>                  |                       |                     |               |
| <u>Special Revenue Funds</u> |                       |                     |               |
| Road & Bridge                | 178,652               | 181,303             | 2,651         |
| Police Levy                  | 796,116               | 807,037             | 10,921        |

With expenditures exceeding appropriations, the Township is expending monies that have not been appropriated by the Board of Trustees. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the Township comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis.

*Client Response:* The Township Clerk will obtain additional supplemental appropriations and have them approved by the Board of Trustees in a timely manner.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

| <b>Finding<br/>Number</b> | <b>Finding<br/>Summary</b>  | <b>Fully<br/>Corrected?</b> | <b>Not Corrected, Partially<br/>Corrected; Significantly<br/>Different Corrective<br/>Action Taken; or Finding<br/>No Longer Valid;<br/>Explain:</b> |
|---------------------------|---|-----------------------------|--|
| 2002-40625-001            | Ohio Revised Code Section 505.24 in part does not allow for Township Trustees to be over paid.                                | Yes                         | N/A  |
| 2002-40625-002            | Ohio Revised Code Section 5705.41(D) in part requires that expenditures shall be encumbered prior to purchase.                | No                          | Partially corrected. Moved to the management letter.   |
| 2002-40625-003            | Ohio Revised Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. | No                          | Reported as Finding 2004-FT-001.   |



**Auditor of State  
Betty Montgomery**

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**FRANKLIN TOWNSHIP**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 10, 2005**