

**FRANKLIN TOWNSHIP  
MERCER COUNTY  
Regular Audit  
December 31, 2005 and 2004**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Franklin Township  
7721 State Route 219  
Celina, Ohio 45822

We have reviewed the *Independent Accountants' Report* of Franklin Township, Mercer County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2004 through December 31, 2005. 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 2004 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 Accountants' 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 Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits

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

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

BETTY MONTGOMERY  
Auditor of State

December 14, 2006

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**FRANKLIN TOWNSHIP  
MERCER COUNTY**

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***Perry & Associates***  
**Certified Public Accountants, A.C.**

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(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT**

September 13, 2006

Franklin Township  
Mercer County  
7721 State Route 219  
Celina, OH 45822

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Mercer County, Ohio, (the Township) as of and for the year ended December 31, 2004. In addition, we have audited the accompanying financial statements of the Governmental activities, each major fund and the aggregate remaining fund information of Franklin Township, Mercer County, Ohio as of and for the year ended December 31, 2005. These financial statements are the responsibility of the 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 our audit provides a reasonable basis for our opinions.

As described more fully in Note 2, the Township has prepared the 2004 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. Also, as discussed in Note 2, the accompanying 2005 financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

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, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately beginning in 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 Townships to reformat their statements. The Township has elected not to reformat its 2004 statements. Since the Township does not use GAAP to measure the 2004 financial statement amounts, the following paragraph does not imply the amounts reported for the year ended December 31, 2004 are materially misstated under the accounting basis the Auditor of State permits.

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

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, the financial statements referred to above for the year ended December 31, 2005 present fairly, in all material respects, the respective cash financial position of the Township activities, each major fund, and the aggregate remaining fund information of the Township as of December 31, 2005, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, Road and Bridge Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis as of December 31, 2004, 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.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2006, 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.



Franklin Township  
Mercer County  
Independent Accountants' Report  
Page 3

Management's Discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures consisting of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of the Township of Franklin, Mercer County's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting.

**Highlights**

Key highlights for 2005 are as follows:

Net assets of Township activities increased \$18,898.00 or 10.63 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Road and Bridge Fund.

The Township's general receipts are made up mainly of property taxes and intergovernmental receipts. These receipts represent respectively \$448,558 and 90 percent of the total cash received for Township activities during the year.

The Township borrowed \$57,000 to purchase a new truck. The old truck was sold to the Village of Montezuma for \$1.00.

The State Route 219 Trail Project from Franklin Elementary School to Karafit Road was completed in 2005 and the Township's share was \$32,000.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the Government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Township as a Whole**

The Franklin Township, Mercer County, Ohio (the Township), is a body politic and corporate established in December 7, 1841 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 only of the primary government; no component units and no other organizations exist. The Board of Trustees offers these notes to ensure that the financial statements are not misleading.

A. **Primary Government**

The primary government consists of all funds, departments, boards and agencies that are legally part of the Township. The Township provides general government services, maintenance of Township roads, cemetery maintenance and zoning. The Township contracts with the Montezuma Community Fire Company, Inc. for fire protection. Police protection is provided by Mercer County Sheriff.

The Township contracts with the Mercer County Ambulance Service to provide ambulance services.

B. **Component Units**

Component units are legally separate organizations for which a township is financially accountable.. The Township participates in no legally separated organizations for which the Township is financially accountable.

C. **Joint Ventures**

The Township does **not** participate in any joint ventures.

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

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Reporting the Township as a Whole (Continued)**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities (the reader should keep in mind that the Township has no business-type activities) of the Township at year- end. General receipts are all receipts classified as program receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property tax.

In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

Governmental activities. All of the Township's basic services are reported here, including fire and streets. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Township has no business-type activity. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

Governmental Funds - The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline, Road and Bridge, AND Issue II Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the Township fund financial statements.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

( T a b l e 1 )

**N e t A s s e t s**

	G o v e r n m e n t a l A c t i v i t i e s	
	2 0 0 5	2 0 0 4
<b>A s s e t s</b>		
C a s h a n d C a s h E q u i v a l e n t s	\$ 1 9 6 , 5 8 7	\$ 1 7 7 , 6 9 0
<b>N e t A s s e t s</b>		
R e s t r i c t e d f o r :		
C a p i t a l P r o j e c t s	4 0 , 2 5 5	4 1 , 1 9 8
O t h e r P u r p o s e s	7 7 , 5 2 8	5 0 , 7 5 4
U n r e s t r i c t e d	7 8 , 8 0 4	8 5 , 7 3 8
T o t a l N e t A s s e t s	\$ 1 9 6 , 5 8 7	\$ 1 7 7 , 6 9 0

As mentioned previously total, net assets of Township activities increased \$18,898 or 10.63 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- Since the year 2000, 157 new homes have been built; this has resulted in increases in assessed valuation.
- Receiving OPWC Grants for roadwork help to conserve the Road and Bridge Fund.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of Township-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**The Township as a Whole (Continued)**

**TABLE 2  
(CHANGE IN NET ASSETS)**

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 47,858
Operating Grants and Contributions	288,598
Total Program Receipts	293,383
General Receipts:	
Property and Other Local Taxes	216,841
Sales of Notes	57,000
Grants and Entitlements Not Restricted	151,052
Interest	3,443
Miscellaneous	8,451
Total General Receipts	448,558
Total Receipts	785,014
Disbursements:	
General Government	113,075
Public Safety	67,473
Public Works	247,236
Public Health Services	13,297
Conservation-Recreation	900
Other	982
Capital Outlay	266,970
Principal Retirement	48,153
Interest and Fiscal Charges	8,030
Total Disbursements	766,116
Increase (Decrease) in Net Assets	18,898
Net Assets, January 1, 2005	177,689
Net Assets, December 31, 2005	\$ 196,587

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Governmental Activities**

In the "Statement of Activities" below, the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and capital outlay, which account for \$514,205 and 67 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 14 percent. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**TABLE 3  
GOVERNMENTAL ACTIVITIES**

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$ 113,075	\$ (70,002)
Public Safety	67,473	(62,968)
Public Works	247,237	41,362
Public Health Services	13,297	(13,017)
Conservation/Recreation	900	(900)
Other	982	(982)
Capital Outlay	266,970	(266,969)

The dependence upon property tax and intergovernmental receipts is apparent as over 90 percent of governmental activities are supported through these general receipts. The Township had no business-type activities.

**The Township's Funds**

Total governmental funds had receipts of \$785,013 and disbursements of \$766,115. The greatest change within governmental funds occurred within the General Fund. During 2004, the fund balance of the General Fund increased \$67,720 as the result of a gift in 2004 of nearly \$70,000. To provide a better picture of the financial conditional of the Township see the attached Cash Summary by Funds for the years 2004 and 2005. Also, Franklin Township purchased 40 acres of Greenspace from Uppenkamp for \$425,000 and Brookhart for \$38,000.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2005, the Township amended its budget to reflect changing circumstances. Several amended certificates were requested during the year to cover increases in budget amounts. The difference between final budgeted receipts and actual receipts was not significant.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**General Fund Budgeting Highlights (Continued)**

Final disbursements were budgeted at \$1,085,952, while actual disbursements were \$766,117. Receipts lived up to expectations, and it was not necessary to reduce appropriations. The Township used fiscal responsibility and spent very close to budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2005, the Township's outstanding debt was \$225,553. For further information regarding the Township's debt, refer to Note 9 – Notes Payable on page 31 of the Notes to the basic financial statements.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. With the discussion of the Local Government Funds being eliminated and also the estate tax, we realize that our sources of revenue will not increase. To reduce expenses, the Township will not replace a part time employee who retired. This will reduce expense by nearly \$20,000.

**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 reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Evert E. Dorsten, Fiscal Officer, Franklin Township, 6805 State Route 219, Celina, Ohio 45822.



**Franklin Township, Mercer County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 196,587
Total Assets	<u>196,587</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	40,255
Other Purposes	77,528
Unrestricted	<u>78,804</u>
Total Net Assets	<u>\$ 196,587</u>

See accompanying notes to the basic financial statements

**Franklin Township, Mercer County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$ 113,075	\$ 43,073	\$	\$ (70,002)
Public Safety	67,473	4,505		(62,968)
Public Works	247,236		288,598	41,362
Health	13,297	280		(13,017)
Conservation-Recreation	900			(900)
Other	982			(982)
Capital Outlay	266,970			(266,970)
Debt Service				
Principal	48,153			(48,153)
Interest	8,030			(8,030)
<i>Total Governmental Activities</i>	<u>\$ 766,116</u>	<u>\$ 47,858</u>	<u>\$ 288,598</u>	<u>(429,660)</u>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				216,841
Grants and Entitlements not Restricted to Specific Programs				151,052
Licenses, Permits & Fees				11,771
Note Proceeds				57,000
Interest				3,443
Miscellaneous				8,451
<i>Total General Receipts</i>				448,558
Change in Net Assets				18,898
<i>Net Assets Beginning of Year</i>				<u>177,689</u>
<i>Net Assets End of Year</i>				<u>\$ 196,587</u>

See accompanying notes to the basic financial statements

**Franklin Township, Mercer County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>	\$ 78,804	\$ 33,226	\$ 40,757	\$ 43,800	\$ 196,587
Equity in Pooled Cash and Cash Equivalents					
<i>Total Assets</i>	<u>78,804</u>	<u>33,226</u>	<u>40,757</u>	<u>43,800</u>	<u>196,587</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	78,804				78,804
Special Revenue Funds		33,226	40,757	3,544	77,527
Capital Projects Funds				40,256	40,256
<i>Total Fund Balances</i>	<u>\$ 78,804</u>	<u>\$ 33,226</u>	<u>\$ 40,757</u>	<u>\$ 43,800</u>	<u>\$ 196,587</u>

See accompanying notes to the basic financial statements

**Franklin Township, Mercer County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Issue II Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$ 25,431	\$	\$ 97,557	\$	\$ 93,852	\$ 216,840
Charges for Services	43,073					43,073
Licenses, Permits and Fees	11,771				4,505	16,276
Intergovernmental	83,023	77,233	11,873	160,270	107,251	439,650
Interest	3,209	212			22	3,443
Other	8,394				283	8,677
<i>Total Receipts</i>	<u>174,901</u>	<u>77,445</u>	<u>109,430</u>	<u>160,270</u>	<u>205,913</u>	<u>727,959</u>
<b>Disbursements</b>						
Current:						
General Government	107,558				5,516	113,074
Public Safety	5,576				61,897	67,473
Public Works	24,290	108,375	94,906		19,666	247,237
Health	13,297					13,297
Conservation-Recreation	900					900
Other					982	982
Capital Outlay	30,214			160,270	76,485	266,969
Debt Service:						
Principal Retirement		11,353			36,800	48,153
Interest and Fiscal Charges		1,038			6,992	8,030
<i>Total Disbursements</i>	<u>181,835</u>	<u>120,766</u>	<u>94,906</u>	<u>160,270</u>	<u>208,338</u>	<u>766,115</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,934)</u>	<u>(43,321)</u>	<u>14,524</u>	<u>0</u>	<u>(2,425)</u>	<u>(38,156)</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Notes		44,455	12,545			57,000
Other Financing Sources		37	17			54
<i>Total Other Financing Sources (Uses)</i>		<u>44,492</u>	<u>12,562</u>			<u>57,054</u>
<b>Special Item</b>						
<i>Net Change in Fund Balances</i>	(6,934)	1,171	27,086	0	(2,425)	18,898
<i>Fund Balances Beginning of Year</i>	<u>85,738</u>	<u>32,055</u>	<u>13,671</u>	<u>0</u>	<u>46,225</u>	<u>177,689</u>
<i>Fund Balances End of Year</i>	<u>\$ 78,804</u>	<u>\$ 33,226</u>	<u>\$ 40,757</u>	<u>\$ -</u>	<u>\$ 43,800</u>	<u>\$ 196,587</u>

See accompanying notes to the basic financial statements

**Franklin Township, Mercer County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 22,972	\$ 25,431	\$ 25,431	\$ -
Charges for Services	30000		43073	43,073
Licenses, Permits and Fees	12000		11771	11,771
Intergovernmental	53,599	83,023	83,023	0
Interest	4,097	2,773	3,209	436
Other	10,593	63,238	8,394	(54,844)
<i>Total receipts</i>	<u>133,261</u>	<u>174,465</u>	<u>174,901</u>	<u>436</u>
<b>Disbursements</b>				
Current:				
General Government	116,350	118,900	107,558	11,342
Public Safety	5,600	5,600	5,576	24
Public Works	26,000	26,000	24,290	1,710
Health	13,600	13,600	13,297	303
Conservation-Recreation	1,000	1,000	900	100
Capital Outlay	45,000	45,000	30,214	14,786
<i>Total Disbursements</i>	<u>207,550</u>	<u>210,100</u>	<u>181,835</u>	<u>28,265</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(74,289)</u>	<u>(35,635)</u>	<u>(6,934)</u>	<u>28,701</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets				0
Notes Issued				0
Premium on Note Issue				0
Discount on Note Issue				0
Transfers In				0
Transfers Out	(4,300)	(1,800)		1,800
Advances In		15,594	15,594	0
Advances Out	(5,000)	(5,000)	(15,594)	(10,594)
Other Financing Sources				0
Other Financing Uses				0
<i>Total Other Financing Sources (Uses)</i>	<u>(9,300)</u>	<u>8,794</u>	<u>-</u>	<u>(8,794)</u>
<i>Net Change in Fund Balance</i>	(83,589)	(26,841)	(6,934)	19,907
<i>Fund Balance Beginning of Year</i>	<u>85,738</u>	<u>85,738</u>	<u>85,738</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,149</u>	<u>\$ 58,897</u>	<u>\$ 78,804</u>	<u>\$ 19,907</u>

See accompanying notes to the basic financial statements

**Franklin Township, Mercer County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Gas Tax Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Intergovernmental	\$ 74,571	\$ 73,230	\$ 77,233	\$ 4,003
Interest		174	212	38
<i>Total receipts</i>	<u>74,571</u>	<u>73,404</u>	<u>77,445</u>	<u>4,041</u>
<b>Disbursements</b>				
Current:				
Public Works	87,000	109,800	108,375	1,425
Debt Service:				
Principal Retirement	11,354	11,354	11,353	1
Interest and Fiscal Charges	1,039	1,039	1,038	1
<i>Total Disbursements</i>	<u>99,393</u>	<u>122,193</u>	<u>120,766</u>	<u>1,427</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,822)</u>	<u>(48,789)</u>	<u>(43,321)</u>	<u>5,468</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Notes		44,455	44,455	0
Advances In		13,000	13,000	0
Advances Out		(13,000)	(13,000)	0
Other Financing Sources		37	37	0
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>44,492</u>	<u>44,492</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(24,822)</u>	<u>(4,297)</u>	<u>1,171</u>	<u>5,468</u>
<i>Fund Balance Beginning of Year</i>	<u>32,055</u>	<u>32,055</u>	<u>32,055</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 7,233</u>	<u>\$ 27,758</u>	<u>\$ 33,226</u>	<u>\$ 5,468</u>

See accompanying notes to the basic financial statements

**Franklin Township, Mercer County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Road and Bridge Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 96,919	\$ 97,557	\$ 97,557	\$ -
Intergovernmental	5,201	11,873	11,873	0
<i>Total receipts</i>	<u>102,120</u>	<u>109,430</u>	<u>109,430</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Public Works	115,700	115,700	94,906	20,794
Capital Outlay				0
<i>Total Disbursements</i>	<u>115,700</u>	<u>115,700</u>	<u>94,906</u>	<u>20,794</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,580)</u>	<u>(6,270)</u>	<u>14,524</u>	<u>20,794</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Notes		12,545	12,545	0
Other Financing Sources		17	17	0
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>12,562</u>	<u>12,562</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(13,580)	6,292	27,086	20,794
<i>Fund Balance Beginning of Year</i>	<u>13,671</u>	<u>13,671</u>	<u>13,671</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 91</u>	<u>\$ 19,963</u>	<u>\$ 40,757</u>	<u>\$ 20,794</u>

See accompanying notes to the basic financial statements

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$ 24,531	147,115	37,786	209,432
Intergovernmental	95,874	110,702	569,464	776,040
Charges for Services	31,880			31,880
Licenses, Permits, and Fees	12,681	5,925		18,606
Earnings on Investments	1,839	241		2,080
Other Revenue	75,815	160	67,888	143,863
Total Cash Receipts	242,620	264,143	675,138	1,181,901
<b>Cash Disbursements:</b>				
Current:				
General Government	107,681	5,165		112,846
Public Safety	5,576	59,129	61,020	125,725
Public Works	25,713	220,587		246,300
Health	13,099			13,099
Conservation - Recreation	900			900
Redemption of Principal		41,353	153,700	195,053
Interest and Fiscal Charges	1,413	1,496	293	3,202
Capital Outlay			794,699	794,699
Total Cash Disbursements	154,382	327,730	1,009,712	1,491,824
Total Cash Receipts Over/(Under) Disbursements	88,238	(63,587)	(334,574)	(309,923)
Proceeds from Sale of Public Debt:				
Sale of Notes		30,000	295,200	325,200
Transfers-In			37,459	37,459
Advances-In	36,050		10,850	46,900
Transfers-Out	(37,459)			(37,459)
Advances-Out	(10,850)		(36,050)	(46,900)
Total Other Financing Receipts/(Disbursements)	(12,259)	30,000	307,459	325,200
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	75,979	(33,587)	(27,115)	15,277
Fund Cash Balances, January 1	9,758	84,340	68,314	162,412
<b>Fund Cash Balances, December 31</b>	<b>\$ 85,737</b>	<b>\$ 50,753</b>	<b>\$ 41,199</b>	<b>\$ 177,689</b>

See accompanying notes to the basic financial statements



**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**Note 1 – Reporting Entity**

Franklin Township, Mercer County, Ohio is a body politic and corporate established on December 7, 1841 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; no component units and no other organizations exist. The Board of Trustees offers these notes to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are legally part of the Township. The Township provides general Township services, maintenance of Township roads and bridges, cemetery maintenance and zoning. The Township contracts with the Montezuma Community Fire Company, Inc., for fire protection. Police protection is provided by Mercer County Sheriff's Department.

**A. Component Units**

Component units are legally separate organizations for which a township is financially accountable. The Township participates in no legally separated organizations for which the Township is financially accountable.

**C. Joint Ventures**

The Township does not participate in any joint ventures.

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 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the Government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**A. Basis of Presentation**

For 2005, the Township’s basic 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 (no fiduciary funds exist). The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. No Business-type activities exist.

The statement of net assets presents the cash balance of the governmental activities of the Township at year-end. 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 or business-type activity is self-financing on a 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 statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

For 2004, the Township’s basic financial statement consists of a Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances for all Township and Fiduciary Fund Types.

**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. All funds of the Township are categorized as governmental.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's 2005 major governmental funds were the General Fund, gasoline, road and bridge and the Issue II Fund. The General Fund is used to account for all financial resources, 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.

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

During 2004, the township classified its funds into the following categories:

General Fund

The Township classified funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as Township funds. The Township's General Fund is the general operating fund and is a major Township fund and it is used to account for all financial resources except those required to be accounted for in another funds. 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 from specific sources (other than from trusts or capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds.

*Gasoline Tax Fund* – This fund receives gasoline tax money for constructing, maintaining and repairing Township Roads.

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

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

*Issue II Fund* – The Township received proceeds of an Ohio Public Works Commission Grant, which was used for a road project.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain 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.

For 2004, the financial statements follow the basis of accounting prescribed or permitted by the Auditor Of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**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 plus encumbrances at the level of control selected by the Township. The legal level of control is established and approved for the funds by the Board of Trustees. These appropriations are submitted to the Mercer County Auditor's office.

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 at the beginning of the year. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate 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.

A summary of 2004 budgetary activity appears in Note 3.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**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 and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase 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 (contra revenue), respectively.

During 2005, the Township invested in STAR Ohio.

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 purchases. 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, 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 2005 was \$3,209, which includes \$1,460 assigned from other Township funds.

**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.

**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 and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**I. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. No fund covers expenditures without sufficient funding. This funding rarely would come from an interfund loan. 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 7 and 8, 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.

**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. The Township funds are used for the following purposes: gasoline, motor vehicle license, road and bridge funds are used primarily for road maintenance/repair but also encompass many other purposes as salaries (and related expenses as OPERS, Social Security and Medicare), insurance, equipment purchases, etc.; FEMA and OPWC Grants are received for specific purposes and can be used only for those purposes.

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 has not reserved portions of fund balances for future use.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**O. Interfund Transactions**

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts. No exchange transactions between funds are reported. 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – 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, gasoline, road and bridge and County Co-op road widening funds 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 is (are) outstanding year-end encumbrances and are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). There were no outstanding encumbrances or advances at year-end for any funds.

Budgetary activity for the year ended December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$242,620	\$278,670	\$36,050
Special Revenue	294,143	294,143	0
Capital Projects	1,007,797	1,018,647	10,850
Total	\$1,544,560	\$1,591,460	\$46,900

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$191,841	\$191,841	\$0
Special Revenue	327,730	327,730	0
Capital Projects	1,009,712	1,009,712	0
Total	\$1,529,283	\$1,529,283	\$0

The Township does not budget for advances.

#### **Note 4 – 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.

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.
3. Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
4. 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 daily, and the term of the agreement must not exceed thirty days.
5. Bonds and other obligations of the State of Ohio or Ohio local governments.
6. Timer certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
7. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
8. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by pool of securities established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.



**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 4 – Deposits and Investments (continued)**

At year- end, the Township had no undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”. The total amount of Township’s deposits at 2005 year end was \$60,308 and 2004 was \$24,302, covered by FDIC.

The Township’s investments are required to be categorized to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township’s name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty’s, trust department or agent in the Township’s name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent by not in the Township’s name. The investments in the U.S. Treasury Bills are classified in category three. Investments in STAR Ohio and the money market mutual fund are not classified since they are not evidenced by securities that exist in physical or book-entry form. All investments are in STAR Ohio.

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

	<u>Carrying Value</u>	
	<u>2005</u>	<u>2004</u>
STAR Ohio	\$136,279	\$153,387

STAR Ohio carries a rating of AAA by Standard and Poor’s. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Note 5– 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 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. Franklin Township property taxes are due and payable on February 20 and August 20.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, was levied after October 1, 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.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 5– Property Taxes (Continued)**

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

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.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$5.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

	<u>2005</u>
Real Property	
Residential	\$48,283,900
Agriculture	Included
Commercial/Industrial/Mineral	
Public Utility Property	
Real	\$ 3,118,740
Personal	
Tangible Personal Property	<u>2,860,736</u>
Total Assessed Value	<u>\$54,263,376</u>

**Note 6. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member Townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles. Coverage provided by OTARMA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	\$2,000,000	Per Occurrence
Law Enforcement Operations	N/A	Per Occurrence
Wrongful Acts	\$2,000,000	Per Occurrence
Property	\$1,318,680	Total Coverage
Boiler and Machinery	N/A	Limit

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 6. Risk Management (Continued)**

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

The Township Trustees and the Fiscal Officer are bonded for \$10,000. These bonds are also provided by OTARMA.

**Note 7 – 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.

For the year ended December 31, 2005, the members participating in the traditional plan were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan member in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 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, 2005, 2004, and 2003 were \$11,548.28, \$11,677.81, and \$11,169.76 respectively. The full amount has been contributed for 2005, 2004 and 2003. The Township does not participate in the member-directed plan.

B. The Township also provides, to the elected officers and dependents, reimbursement for vision, dental, cancer, intensive care, hospital insurance and long-term care insurance.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 8 - Post employment 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 Post Employment 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 2005 local Township employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

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, 2003, include a rate of return on investments of 8.00 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 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight 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.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004, which were used to fund post employment benefits, were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 9 – Notes Payable**

A summary of the note transactions for the year ended December 31, 2005, follows:

	<u>Principal</u>	<u>Interest Rate</u>
Township Building Improvement Note	\$20,000	3.50%
Ohio Public Works Commission (OPWC) Loan	1,353	0.00%
Fire Truck	147,200	3.80%
Dump Truck	57,000	4.00%
Total	<u>\$ 225,553</u>	

The building improvement note was issued to finance the expansion of the Township Building to house Township equipment. The note is renewed each year.

The OPWC Loan was issued during 2001 to finance a portion of the Windy Point Widening and Resurfacing Project.

The State Marshal Revolving Loan was issued during 2004 to finance the purchase of a fire tanker truck.

The Dump Truck Loan was issued during 2005 to help maintain Township roads.

A note was issued in 2004 for \$111,200 for road construction, however the note was repaid in 2004.

**Note 10 – Debt**

The following is a summary of the Township's future annual debt service requirements:

<b>Year</b>	<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 59,476	\$ 8,574
2007	59,477	6,345
2008	48,800	4,117
2009	48,800	2,238
2010	<u>9,000</u>	<u>360</u>
<b>Totals</b>	\$225,553	\$21,634

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

***Perry & Associates***  
**Certified Public Accountants, A.C.**

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY TOWNSHIP AUDITING STANDARDS**

September 13, 2006

Franklin Township  
Mercer County  
7721 State Route 219  
Celina, OH 45822

To the Board of Trustees:

We have audited the financial statements of Franklin Township, Mercer County, (the Township) as of and for the year ended December 31, 2004, and have issued our report thereon dated September 24, 2006, wherein we noted the financial statements for the period ended December 31, 2004 the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we have audited the financial statements of the Township activities, each major fund and the aggregate remaining fund information of Franklin Township, Mercer County, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to auditing 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 the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinions 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to 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 material weaknesses. In a separate letter to the Township's management dated September 13, 2006, we reported other matters involving internal control over financial reporting that do not require inclusion in this report.

Franklin Township  
Mercer County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Township Auditing Standards*  
Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In a separate letter to the Township's management dated August 18, 2006, we reported other matters related to noncompliance we deemed immaterial.

This report is intended solely for the information and use of management, Township Trustees, and other officials authorized to receive this report under section 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**FRANKLIN TOWNSHIP  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC § 505.60 (A) – May procure and pay all or any part of the cost of insurance policies.	Yes	N/A





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**FRANKLIN TOWNSHIP**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 28, 2006**