

**FRANKLIN TOWNSHIP  
RICHLAND COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Franklin Township  
525 Boyce Rd.  
Shelby, OH 44875-8860

We have reviewed the *Independent Accountants' Report* of Franklin Township, Richland County, prepared by Knox & Knox, for the audit period January 1, 2005 to December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

March 25, 2008

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FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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# KNOX & KNOX

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Accountants and Consultants

## Independent Accountants' Report

Franklin Township  
Richland County  
1367 Roush Road  
Shelby, Ohio 44875-9381

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the 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 obtain reasonable assurance about 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, if any, 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 1, the Township has prepared its 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. While the Township does not follow GAAP, generally accepted auditing standards require 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 follow GAAP statement formatting requirements. 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 matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Franklin Township, Richland County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 August 6, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

***Knox & Knox***

Orrville, Ohio  
August 6, 2007



FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>CASH RECEIPTS:</b>			
Local Taxes	\$28,778	\$135,902	\$164,680
Intergovernmental	148,830	95,065	243,895
Charges for Services		82,074	82,074
Licenses, Fees, and Permits	1,851	651	2,502
Other Revenue	<u>135</u>		<u>135</u>
 Total Cash Receipts	 <u>179,594</u>	 <u>313,692</u>	 <u>493,286</u>
<b>CASH DISBURSEMENTS</b>			
Current:			
General Government	58,423	21,827	80,250
Public Safety		88,068	88,068
Public Works		318,786	318,786
Health		364	364
Debt Service			
Redemption of Principal		16,357	16,357
Interest		1,323	1,323
Capital Outlay		<u>110,343</u>	<u>110,343</u>
 Total Cash Disbursements	 <u>58,423</u>	 <u>557,068</u>	 <u>615,491</u>
 Total Cash Receipts Over/(Under) Cash Disbursements	 <u>121,171</u>	 <u>(243,376)</u>	 <u>(122,205)</u>
 Other Financing Sources (Uses)	 (22,451)		 (22,451)
Debt Proceeds		<u>161,624</u>	<u>161,624</u>
 Total Other Financing Sources (Uses) & Debt Proceeds	 <u>(22,451)</u>	 <u>161,624</u>	 <u>139,173</u>
 Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	 98,720	 (81,752)	 16,968
 Cash Fund Balances, January 1	 <u>36,948</u>	 <u>300,123</u>	 <u>337,071</u>
 CASH FUND BALANCES, DECEMBER 31	 <u><u>\$135,668</u></u>	 <u><u>\$218,371</u></u>	 <u><u>\$354,039</u></u>
 Reserves for Encumbrances	 <u><u>          </u></u>	 <u><u>\$256</u></u>	 <u><u>\$256</u></u>

*The notes to the financial statements are an integral part of this statement.*

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>CASH RECEIPTS:</b>			
Local Taxes	\$22,001	\$210,935	\$232,936
Intergovernmental	48,994	87,392	136,386
Charges for Services		78,978	78,978
Licenses, Fees, and Permits	1,036		1,036
Earnings on Investments	1,454	236	1,690
Other Revenue	145	20,079	20,224
	<u>73,630</u>	<u>397,620</u>	<u>471,250</u>
Total Cash Receipts			
<b>CASH DISBURSEMENTS</b>			
Current:			
General Government	45,762	21,958	67,720
Public Safety		117,081	117,081
Public Works		171,447	171,447
Health		674	674
Capital Outlay		20,000	20,000
Debt Service:			
Redemption of Principal		26,363	26,363
Interest and Fiscal Charges		1,317	1,317
	<u>45,762</u>	<u>358,840</u>	<u>404,602</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>27,868</u>	<u>38,780</u>	<u>66,648</u>
Cash Fund Balances, January 1	<u>9,080</u>	<u>261,343</u>	<u>270,423</u>
<b>CASH FUND BALANCES, DECEMBER 31</b>	<u><u>\$36,948</u></u>	<u><u>\$300,123</u></u>	<u><u>\$337,071</u></u>

*The notes to the financial statements are an integral part of this statement.*

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

Franklin Township, Richland 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 maintenance.

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

B. **BASIS OF ACCOUNTING**

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. **CASH**

The Township deposits money into a checking account with a financial institution eligible to maintain the Township's monies. The financial institution provides securities sufficient to cover the monies deposited with it.

D. **FUND ACCOUNTING**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. **General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. **Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

*Road and Bridge Fund* - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

D. **FUND ACCOUNTING** (Continued)

2. **Special Revenue Funds** (continued)

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

E. **BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the department, division or office level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. **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 in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2006	2005
Demand deposits	\$220,825	\$208,189
Repurchase agreement	133,216	128,882
Total deposits	\$354,041	\$337,071

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006 and 2005, follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,800	\$179,594	\$84,794
Special Revenue	175,974	475,316	299,342
Total	\$270,774	\$654,910	\$384,136

2006 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$111,178	\$80,874	\$30,304
Special Revenue	678,008	557,324	120,684
Total	\$789,186	\$638,198	\$150,988

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,487	\$73,630	\$19,143
Special Revenue	335,890	397,620	61,730
Total	\$390,377	\$471,250	\$80,873

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

3. **BUDGETARY ACTIVITY** (Continued)

Fund Type	2005 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,568	\$45,762	\$17,806
Special Revenue	597,233	358,840	238,393
Total	\$660,801	\$404,602	\$256,199

4. **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 for first half is due December 31. The second half payment is due 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 owner, 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.

5. **DEBT**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Fire Truck	\$161,625	5.44%
Ambulance	\$ 29,224	5.44%

Amortization of the above debt, including interest, is scheduled as follows:

For Year Ending December 31	Richland Bank		
	Principal	Interest	Total
2007	\$16,720	\$960	\$17,680
2008	12,529	770	13,299
Total	\$29,249	\$1,730	\$30,979

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

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

5. **DEBT** (continued)

For Year Ending December 31	Richland Bank		
	Principal	Interest	Total
2007	\$20,373	\$8,289	\$28,662
2008	21,510	7,153	28,663
2009	22,709	5,953	28,662
2010	23,976	4,687	28,663
2011	25,312	3,349	28,661
2012-2013	47,744	2,417	50,161
	<u>\$161,624</u>	<u>\$31,848</u>	<u>\$193,472</u>

6. **RETIREMENT SYSTEM**

The Township's employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides 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 2006 and 2005, members contributed 9.0% and 8.5% of their gross salaries, respectively. The Township contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

7. **RISK MANAGEMENT**

The Township belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administrative self-insurance risk management program and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses convention insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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Accountants and Consultants

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL  
AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Franklin Township  
Richland County  
1367 Roush Road  
Shelby, OH 44875-9381

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Richland County, Ohio (the Board) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 6, 2007, wherein we noted the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Township's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we reported to the Township's management in a separate letter dated August 6, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Township's basic 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 one instance of noncompliance we must report under *Government Auditing Standards* which is shown in the accompanying schedule as Finding 2006-001.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.

*KNOX & KNOX*

Orrville, Ohio  
August 6, 2007

FRANKLIN TOWNSHIP  
RICHLAND COUNTY

SCHEDULE OF AUDIT FINDING  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2006-01

Ohio Revised Code Section 5705.39 requires that total appropriations not exceed estimated resources. In 2006, appropriations exceed estimated resources as follows:

	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Difference</u>
Special Revenue	\$678,008	\$476,097	(\$201,911)

Client Response: None





**Mary Taylor, CPA**  
Auditor of State

**FRANKLIN TOWNSHIP**

**RICHLAND 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  
APRIL 8, 2008**