

**FRANKLIN TOWNSHIP
MERCER COUNTY
Regular Audit
December 31, 2009 and 2008**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

Board of Trustees
Franklin Township
P.O. Box 90
Montezuma, Ohio 45866

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, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 4, 2010

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**FRANKLIN TOWNSHIP
MERCER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Managements Discussion and Analysis – For the Year Ended December 31,2009	3
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis For the Year Ended December 31, 2009	10
Statement of Activities – Cash Basis For the Year Ended December 31, 2009	11
Governmental Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds For the Year Ended December 31, 2009	12
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2009	13
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual-Budget Basis – General Fund For the Year Ended December 31, 2009	14
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual-Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2009	15
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual-Budget Basis – Road and Bridge Fund For the Year Ended December 31, 2009	16
Notes to the Financial Statements- For the Year Ended December 31, 2009	17
Managements Discussion and Analysis – For the Year Ended December 31,2008	29
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis For the Year Ended December 31, 2008	36
Statement of Activities – Cash Basis For the Year Ended December 31, 2008	37
Governmental Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds For the Year Ended December 31, 2008	38

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2008	39
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual-Budget Basis – General Fund For the Year Ended December 31, 2008	40
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual-Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2008	41
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual-Budget Basis – Road and Bridge Fund For the Year Ended December 31, 2008	42
Notes to the Financial Statements For the Year Ended December 31, 2008	43
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55

Perry & Associates
Certified Public Accountants, A.C.

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INDEPENDENT ACCOUNTANTS' REPORT

April 9, 2010

Franklin Township
Mercer County
P.O. Box 90
Montezuma, Ohio 45866

To the Board of Trustees:

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** (the Township), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. 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 discussed in Note 1, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Mercer County, Ohio, as of December 31, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax and Road and Bridge Funds in 2009 and 2008 thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2010, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries 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,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry and Associates
Certified Public Accountants, A.C.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

This discussion and analysis of Franklin Township, Mercer County's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2009, within the limitations of the Township's cash basis accounting.

Highlights

Key highlights for 2009 are as follows:

Net assets of Township activities decreased \$24,337, from the prior year due to additional expenses incurred by the new pedestrian trail along with the new covered bridges on the trail.

The Township's general receipts are made up mainly of property taxes and intergovernmental and the sale of note receipts. These receipts represent \$600,924 of the total cash received for Township activities during the year.

Three and one half miles of paved trails were completed at the end of 2008 to the existing three miles of paved trails along with the 200 acres of preserved greenspace. The Clean Ohio Fund CMDAB Greenway Phase II Grant helped fund this project (This grant was spread over 3 years.) (Note: Total Grant = \$1,363,150. In 2007 \$638,390 was received. \$222,225 of grant money was received in 2008.) In 2009 \$502,535 was received.

A Pedestrian Trail Bridge on Prairie Creek was constructed and paid for through the ODOT Transportation Enhancement Grant. \$141,730 was received in 2009. (\$38,761 was received in 2008.)

OPWC Aquaview #CMEAA Grant for \$885,010 was confirmed, but due to long negotiations between Franklin Township and Mercer Development Inc. along with delays on the clearance of the surveys, the transaction will not be completed until 2010.

In December 2009, 2,638 acres was purchased from Carol Gaston for \$23,000. ODNR NatureWorks Grant for \$8,811, a reimbursement grant, helped fund this transaction. Since the closing didn't occur until the end of December, the grant money was not received until January 12, 2010. Money was advanced from the General to the Grant Fund, and the advance was carried into 2010. (Other donations for this purchase included \$5,000 from the Lake Improvement Association along with \$2,500 from Pheasants Forever.)

In November of 2008, Franklin Township passed a 1 mill levy for the future purchase of new fire equipment which will generate a total of approximately \$325,000 over 5 years – Fire Tanker 11/4/08 Fund. Contract for the purchase of a new fire truck was signed in 2009 but will be delivered and paid for in the spring of 2010. The Fire truck loan for the 2005 fire truck was paid off in 2009.

New 2010 International Dump Truck was purchased for \$117,354. (Loan for \$100,000) The old 1986 Dump Truck was sold to Cooper Farms for \$9,250. The 2006 Ford Truck loan was also retired.

Behms road was widened and paved for a total cost of \$95,321. The dirt work preparation for paving in 2010 was completed on Moorman road for a total cost of \$14,421.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

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.

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 statement of net assets and the statement of activities reflect how the Township did financially during 2009, 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 of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charged paid by the recipient of the program's good or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function of business-type activity draws from the Township's general 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

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Reporting the Township as a Whole (Continued)

Township's financial condition, you should also consider other non financial 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.

Activities of the Township are listed in the Statement of Net Assets and Statement of Activities.

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

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 – Most of 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 Fund, Road and Bridge Fund, OPWC CMDAB Greenway Phase II Fund, ODOT PID 83361 Prairie Creek Bridge and the Fire Tanker Fund 11/4/08. 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 governmental fund financial statements.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2009 compared to 2008 and 2007 on a cash basis:

**TABLE 1
NET ASSETS**

	Governmental Activities		
	2009	2008	2007
Assets			
Cash and Cash Equivalents	\$ 378,372	\$ 402,709	\$ 50,117
Investments	-	-	354,507
Total Assets	\$ 378,372	\$ 402,709	\$ 404,624
Net Assets			
Restricted for:			
Capital Projects	\$ 70,296	\$ 51,912	\$ 45,962
Other Purposes	207,021	205,804	169,743
Unrestricted	101,055	144,993	188,919
Total Net Assets	\$ 378,372	\$ 402,709	\$ 404,624

As mentioned previously, total, net assets of Township activities decreased \$24,337 during 2009.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The Township as a Whole (Continued)

Table 2 provides a summary of the Township's change in net assets for 2009 compared to 2008 and 2007 on a cash basis:

**TABLE 2
CHANGE IN NET ASSETS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental Activities			
Receipts			
Program Receipts:			
Charges for Services and Sales	\$ 2,310	\$ 2,990	\$ 2,225
Operating Grants and Contributions	147,453	137,722	108,596
Capital Grants and Contributions	<u>644,265</u>	<u>610,852</u>	<u>681,168</u>
Total Program Receipts	<u>794,028</u>	<u>751,564</u>	<u>791,989</u>
General Receipts:			
Property and Other Local Taxes	276,811	241,596	244,857
Sales of Notes	100,000	22,800	134,200
Grants and Entitlements Not Restricted to Specific Programs	101,551	84,779	102,288
Cable Franchise Fee	23,846	12,779	13,946
Interest	1,076	8,254	9,400
Miscellaneous	<u>97,640</u>	<u>107,087</u>	<u>211,735</u>
Total General Receipts	<u>600,924</u>	<u>477,295</u>	<u>716,426</u>
Total Receipts	<u>1,394,952</u>	<u>1,228,859</u>	<u>1,508,415</u>
Disbursements:			
General Government	184,739	190,315	144,645
Public Safety	73,428	73,816	71,010
Public Works	263,867	189,955	123,551
Public Health Services	20,204	17,649	14,542
Conservation-Recreation	25,350	1,667	42,373
Capital Outlay	791,469	578,727	790,833
Principal Retirement	58,093	171,055	92,453
Interest and Fiscal Charges	<u>2,139</u>	<u>7,570</u>	<u>6,028</u>
Total Disbursements	<u>1,419,289</u>	<u>1,230,774</u>	<u>1,285,435</u>
Increase (Decrease) in Net Assets	(24,337)	(1,915)	222,980
Net Assets, January 1	<u>402,709</u>	<u>404,624</u>	<u>181,644</u>
Net Assets, December 31,	<u>\$ 378,372</u>	<u>\$ 402,709</u>	<u>\$ 404,624</u>

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Governmental Activities

If you look at the "Statement of Activities-Cash Basis" below, you will see the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. 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**

	Total Cost Of Services 2009	Net Cost of Services 2009	Total Cost Of Services 2008	Net Cost of Services 2008	Total Cost Of Services 2007	Net Cost of Services 2007
General Government	\$ 184,739	\$ (184,739)	\$ 190,315	\$ (190,315)	\$ 144,645	\$ (144,645)
Public Safety	73,428	(53,161)	73,816	(53,392)	71,010	(68,785)
Public Works	263,867	(234,571)	189,975	205,108	123,551	(14,955)
Public Health Services	20,204	(20,004)	17,649	(17,579)	14,542	(14,542)
Conservation/Recreation	25,350	618,915	1,667	334,320	42,373	(42,373)
Capital Outlay	791,469	(691,469)	578,727	(578,727)	790,833	(109,665)
Principal Retirement	58,093	(58,093)	171,055	(171,055)	92,400	(92,400)
Interest and Fiscal Charges	2,139	(2,139)	7,570	(7,570)	6,081	(6,081)
Total Expenses	\$ 1,419,289	\$ (625,261)	\$ 1,230,774	\$ (479,210)	\$ 1,285,435	\$ (493,446)

The dependence upon Capital Grants and Contribution receipts is apparent 46 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 \$1,394,952 and disbursements of \$1,419,289 not including transfers and advances. The greatest changes within the funds included a decrease in the General Fund by \$43,938, an increase in the Road and Bridge Fund by \$13,832 and a decrease in the Gas Fund by \$13,962. The Fire Tanker Fund 11/4/03 decreased by \$40,427 since the levy was exhausted, and the new Fire Tanker Fund gained \$68,910.

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 2009, the Township amended its budget to reflect changing circumstances. Several amended certificates were requested during the year to cover increases in budget amounts.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Budgeting Highlights (Continued)

Final disbursements were budgeted \$2,706,955, while actual disbursements were \$1,461,908. 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

Debt

At December 31, 2009, the Township's outstanding debt was \$100,000. For further information regarding the Township's debt, refer to Note 9 – Debt on page 27 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, also the estate tax, the liquor license being reduced to 35 percent and the cable franchise fees being controlled by the state, we realize that our sources of revenue will not increase. To reduce expenses, the Township has aggressively applied for grants to fund needed projects.

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 Lee Ann Dorsten, Fiscal Officer, Franklin Township, 6805 State Route 219, Celina, OH 45822.

Franklin Township, Mercer County
Statement of Net Assets - Cash Basis
For the Year Ended December 31, 2009

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 378,372
<i>Total Assets</i>	378,372
Net Assets	
Restricted for:	
Capital Projects	70,296
Other Purposes	207,021
Unrestricted	101,055
<i>Total Net Assets</i>	\$ 378,372

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

Franklin Township, Mercer County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2009

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 184,739	\$ -	\$ -	\$ -	\$ (184,739)
Public Safety	73,428	2,110	18,157	-	(53,161)
Public Works	263,867	-	129,296	-	(134,571)
Health	20,204	200	-	-	(20,004)
Conservation- Recreation	25,350	-	-	644,265	618,915
Capital Outlay	791,469	-	-	-	(791,469)
Debt Service:					
Principal	58,093	-	-	-	(58,093)
Interest	2,139	-	-	-	(2,139)
<i>Total Governmental Activities</i>	<u>\$ 1,419,289</u>	<u>\$ 2,310</u>	<u>\$ 147,453</u>	<u>\$ 644,265</u>	<u>\$ (625,261)</u>
General Receipts					
Property Taxes					276,811
Grants and Entitlements not Restricted to Specific Programs					101,551
Sale of Notes					100,000
Cable Franchise Fees					23,846
Interest					1,076
Miscellaneous					97,640
<i>Total General Receipts</i>					<u>600,924</u>
Change in Net Assets					<u>(24,337)</u>
<i>Net Assets Beginning of Year</i>					<u>402,709</u>
<i>Net Assets End of Year</i>					<u>\$ 378,372</u>

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

Franklin Township, Mercer County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Gasoline Tax	Road and Bridge	Fire Tanker	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 101,055	\$ 40,481	\$ 163,120	\$ 68,910	\$ 4,806	\$ 378,372
<i>Total Assets</i>	<u>101,055</u>	<u>40,481</u>	<u>163,120</u>	<u>68,910</u>	<u>4,806</u>	<u>378,372</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	523	-	-	-	-	523
Unreserved:						
General Fund	100,532	-	-	-	-	100,532
Special Revenue Funds	-	40,481	163,120	-	3,420	207,021
Capital Projects Fund	-	-	-	68,910	1,386	70,296
<i>Total Fund Balances</i>	<u>\$ 101,055</u>	<u>\$ 40,481</u>	<u>\$ 163,120</u>	<u>\$ 68,910</u>	<u>\$ 4,806</u>	<u>\$ 378,372</u>

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

Franklin Township, Mercer County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Gasoline Tax	Road and Bridge	OPWC CMDAB Greenway Phase II	ODOT PID 83361	Fire Tanker 2	Other Governmental Funds	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$ 32,027	\$ -	\$ 124,053	\$ -	\$ -	\$ 61,163	\$ 59,568	\$ 276,811
Licenses, Permits and Fees	97,178	-	-	-	-	-	2,110	99,288
Intergovernmental	101,551	86,632	23,437	502,535	141,729	9,280	28,104	893,268
Interest	927	130	-	-	-	-	19	1,076
Other	14,953	-	-	-	-	-	200	15,153
<i>Total Receipts</i>	<u>246,636</u>	<u>86,762</u>	<u>147,490</u>	<u>502,535</u>	<u>141,729</u>	<u>70,443</u>	<u>90,001</u>	<u>1,285,596</u>
Disbursements								
Current:								
General Government	182,580	-	-	-	-	-	2,159	184,739
Public Safety	5,856	-	-	-	-	-	67,572	73,428
Public Works	24,897	77,126	143,014	-	-	-	18,830	263,867
Health	20,204	-	-	-	-	-	-	20,204
Conservation-Recreation	-	-	-	25,350	-	-	-	25,350
Capital Outlay	32,234	-	100,000	493,177	141,729	1,533	22,796	791,469
Debt Service:								
Principal Retirement	-	22,800	-	-	-	-	35,293	58,093
Interest and Fiscal Charges	-	798	-	-	-	-	1,341	2,139
<i>Total Disbursements</i>	<u>265,771</u>	<u>100,724</u>	<u>243,014</u>	<u>518,527</u>	<u>141,729</u>	<u>1,533</u>	<u>147,991</u>	<u>1,419,289</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(19,135)	(13,962)	(95,524)	(15,992)	-	68,910	(57,990)	(133,693)
Other Financing Sources (Uses)								
Note Proceeds	-	-	100,000	-	-	-	-	100,000
Sale of Fixed Assets	-	-	9,251	-	-	-	-	9,251
Transfers In	-	-	-	15,992	-	-	-	15,992
Transfers Out	(15,992)	-	-	-	-	-	-	(15,992)
Advances In	8,908	-	-	8,908	-	-	8,811	26,627
Advances Out	(17,719)	-	-	(8,908)	-	-	-	(26,627)
Other Financing Sources	-	-	105	-	-	-	-	105
<i>Total Other Financing Sources (Uses)</i>	<u>(24,803)</u>	<u>-</u>	<u>109,356</u>	<u>15,992</u>	<u>-</u>	<u>-</u>	<u>8,811</u>	<u>109,356</u>
<i>Net Change in Fund Balances</i>	(43,938)	(13,962)	13,832	-	-	68,910	(49,179)	(24,337)
<i>Fund Balances Beginning of Year</i>	<u>144,993</u>	<u>54,443</u>	<u>149,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,985</u>	<u>402,709</u>
<i>Fund Balances End of Year</i>	<u>\$ 101,055</u>	<u>\$ 40,481</u>	<u>\$ 163,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,910</u>	<u>\$ 4,806</u>	<u>\$ 378,372</u>

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

Franklin Township, Mercer County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 30,596	\$ 32,027	\$ 32,027	\$ -
Licenses, Permits and Fees	97,078	97,178	97,178	-
Intergovernmental	110,961	101,551	101,551	-
Interest	5,000	927	927	-
Other	3,000	14,953	14,953	-
<i>Total receipts</i>	<u>246,635</u>	<u>246,636</u>	<u>246,636</u>	<u>-</u>
Disbursements				
Current:				
General Government	199,823	199,823	182,580	17,243
Public Safety	6,250	6,250	5,856	394
Public Works	32,400	32,400	24,897	7,503
Health	20,000	20,204	20,204	-
Capital Outlay	-	32,234	32,234	-
<i>Total Disbursements</i>	<u>258,473</u>	<u>290,911</u>	<u>265,771</u>	<u>25,140</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,838)</u>	<u>(44,275)</u>	<u>(19,135)</u>	<u>25,140</u>
Other Financing Sources (Uses)				
Transfers Out	(75,000)	(62,811)	(15,992)	46,819
Advances In	-	-	8,908	8,908
Advances Out	(25,000)	(25,000)	(17,719)	7,281
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>(87,811)</u>	<u>(24,803)</u>	<u>63,008</u>
<i>Net Change in Fund Balance</i>	(111,838)	(132,086)	(43,938)	88,148
<i>Fund Balance Beginning of Year</i>	<u>144,993</u>	<u>144,993</u>	<u>144,993</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>523</u>	<u>523</u>	<u>523</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 33,678</u></u>	<u><u>\$ 13,430</u></u>	<u><u>\$ 101,578</u></u>	<u><u>\$ 88,148</u></u>

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

Franklin Township, Mercer County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Gasoline Tax Fund
 For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 90,000	\$ 86,632	\$ 86,632	\$ -
Interest	800	130	130	-
<i>Total receipts</i>	<u>90,800</u>	<u>86,762</u>	<u>86,762</u>	<u>-</u>
Disbursements				
Current:				
Public Works	109,000	109,000	77,126	31,874
Debt Service:				
Principal Retirement	22,800	22,800	22,800	-
Interest and Fiscal Charges	798	798	798	-
<i>Total Disbursements</i>	<u>132,598</u>	<u>132,598</u>	<u>100,724</u>	<u>31,874</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(41,798)</u>	<u>(45,836)</u>	<u>(13,962)</u>	<u>31,874</u>
Other Financing Sources (Uses)				
Sale of Notes	11,400	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>11,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(30,398)	(45,836)	(13,962)	31,874
<i>Fund Balance Beginning of Year</i>	<u>54,443</u>	<u>54,443</u>	<u>54,443</u>	<u>-</u>
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Fund Balance End of Year</i>	<u>\$ 24,045</u>	<u>\$ 8,607</u>	<u>\$ 40,481</u>	<u>\$ 31,874</u>

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

Franklin Township, Mercer County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 120,705	\$ 124,053	\$ 124,053	\$ -
Intergovernmental	15,533	18,036	23,437	5,401
Other	-	14,652	-	(14,652)
<i>Total receipts</i>	<u>136,238</u>	<u>156,741</u>	<u>147,490</u>	<u>(9,251)</u>
Disbursements				
Current:				
Public Works	227,975	255,753	143,014	112,739
Capital Outlay	298	298	100,000	(99,702)
<i>Total Disbursements</i>	<u>228,273</u>	<u>256,051</u>	<u>243,014</u>	<u>13,037</u>
<i>Excess of Receipts Over (Under) Disburseme.</i>	<u>(92,035)</u>	<u>(99,310)</u>	<u>(95,524)</u>	<u>3,786</u>
Other Financing Sources (Uses)				
Sale of Notes	-	100,000	100,000	-
Notes Fixed Assets	-	-	9,251	9,251
Other Financing Sources	-	106	106	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>100,106</u>	<u>109,357</u>	<u>9,251</u>
<i>Net Change in Fund Balance</i>	(92,035)	796	13,833	13,037
<i>Fund Balance Beginning of Year</i>	<u>149,288</u>	<u>149,288</u>	<u>149,288</u>	<u>-</u>
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Fund Balance End of Year</i>	<u>\$ 57,253</u>	<u>\$ 150,084</u>	<u>\$ 163,121</u>	<u>\$ 13,037</u>

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

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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.

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. Ambulance is contracted with the Mercer County Emergency Management Service.

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.

A. Basis of Presentation

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. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions

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.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

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.

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.

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 2009 major governmental funds were the General Fund, Gasoline Fund, Road and Bridge Fund, OPWC CMDAB Greenway Phase II Fund, ODOT PID 83361 Prairie Creek Bridge and the Fire Tanker Fund 11/4/08. The major funds are as follows:

General 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.

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.

OPWC CMDAB Greenway Phase II Fund – The Township received proceeds of an Ohio Public Works Commission Grant, which was used to purchase Greenspace and easements for a bike path.

ODOT PID 83361 Prairie Creek Bridge Fund – The Township received proceeds of an Ohio Dept. of Transportation Grant, which was used to fund a new covered bridge on the bike path.

Fire Tanker 2 Fund 11/4/08 Fund - The Township passed a new levy in 2008 for the purchase of a new fire truck which will be purchased in the spring of 2010.

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

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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.

D. Budgetary Process

All 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 has been established at the fund, department and object level for all funds. 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.

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 are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. During 2009, the township had a checking account and STAR Ohio account.

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, 2009.

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 2009 was \$2,139.

F. 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.

G. 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.

H. 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.

I. 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 governmental 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.

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.

J. Interfund Receivables/Payables

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

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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 prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements rather than as a reservation of fund balance. The encumbrances outstanding at year end amounted to \$523 for the general fund. There were no outstanding advances in 2009. The outstanding advances at year end amounted to \$0 for the general fund and \$8,811 for the other governmental fund.

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 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.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

Note 4 – Deposits and Investments (Continued)

8. The State Treasurer's investment pool (STAR Ohio).

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

Deposits

As of December 31, 2009 the carrying amount of the Township's deposits was \$50,030. All of the bank balance was covered by federal depository insurance and \$0.00 was uninsured and uncollateralized.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio Law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2009 the carrying amount of the Township's deposits into Star Ohio was \$328,342. Star Ohio carries a rating of AAAm by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law required Star Ohio maintain the highest rating provided by at least one nationally recognized standard rating service, and the money market fund be rated in the highest category at the time of purchase 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 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, 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 July 20.

Public utility property tax receipts received in 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2008, was levied after October 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2009 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2009 were levied after October 1, 2008 on the true value as of December 31, 2008. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

Note 5 – Property Taxes (Continued)

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, 2009, was \$5.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 200 property tax receipts were based are as follows:

	<u>2009</u>
Real Property	
Residential	\$ 59,969,900
Public Utility Property	
Real	\$ 4,020,960
Tangible Personal Property	\$ 1,088,730
Total Assessed Value	<u>\$ 65,079,590</u>

Note 6 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to 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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty Insurance

For occurrences prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, and provides up to \$1,750,000 per claim and \$10,000,000 in aggregate per year.

For occurrences on or after January 1, 2006, OTARMA retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contribution to APEEP. APEEP reinsures claim exceeding \$350,000, and provides up to \$2,650,000 per claim and \$10,000,000 in aggregate per year.

If losses exhaust OTARMA’s retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, General Reinsurance Corporation.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

Note 6 – Risk Management (Continued)

Property Insurance

Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined OTARMA members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective OTARMA member.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available)

<u>Combined Coverage</u>	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Retained earnings	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, casualty coverage liabilities noted above include approximately \$10.9 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$11,000. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

Note 6 – Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2007	\$5,884
2008	\$6,241
2009	\$5,590

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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	N/A
Wrongful Acts	\$2,000,000	Per Occurrence
Property	\$1,318,680	Total Coverage
Boiler and Machinery	N/A	N/A

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 are bonded for \$10,000 and the Fiscal Officer is bonded for \$160,000. These bonds are also provided by OTARMA.

Note 7 – Defined Benefit Pension Plan

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.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

Note 7 – Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

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 years ended December 31, 2008 and 2007, the members in the traditional plan, were required to contribute 10.0 and 9.5, percent, respectively, of their annual covered salaries. The Township's contribution rate for pension benefits for 2008 and 2007 was 14.00 percent and 13.85 percent respectively. 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, 2009, 2008, and 2007 were \$9,587, \$10,832, and \$10,468 respectively. The full amount has been contributed for 2009, 2008, and 2007. The Township does not participate in the member-directed plan.

Note 8 - Post employment Benefits

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. 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 2009 local Township employer contribution rate was 13.85 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.0 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, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 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 .50 and 4 percent annually for the next seven years and 4 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 363,503. Actual employer contributions for 2008 and 2007 which were used to fund post employment benefits, were \$6,437 and \$4,134 respectively.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

Note 8 - Post employment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

The actual contribution and the actuarially required contribution amounts are the same. OPER's net assets available for payment of benefits at December 31, 2007, (the latest information available) were \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17.0 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. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 9 – Debt

A summary of the debt activity for the year ended December 31, 2009, was as follows:

	Balance <u>12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2009</u>	Due within <u>One Year</u>
Fire Truck	\$ 35,293	\$ -	\$ 35,293	\$ -	\$ -
Ford Truck	22,800	-	22,800	-	-
Intl Dump Truck 2010	-	100,000	-	100,000	100,000
	<u>\$ 58,093</u>	<u>\$ 100,000</u>	<u>\$ 58,093</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

The Ford Truck Loan was issued during 2005 to help maintain Township roads, and it was retired in 2009.

The Fire Truck note was issued in 2004 to finance the purchase of a fire tanker truck, and it was paid off in 2009.

A note was issued in 2009 to purchase a 2010 International Dump truck to help maintain Township roads. This note was for \$100,000 and will be repaid in monthly payments of \$8,333, including interest through 2010.

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

Year ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>
2010	100,000	3,000
Total	<u>\$ 100,000</u>	<u>\$ 3,000</u>

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.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

Note 10 – Interfund Transfers and Advances

Interfund transfers and advances for the year ended December 31, 2009, were as follows:

Transfer from the General fund to ODOT PID 83361 Prairie Bridge Fund	\$15,992
Advance from the General fund to ODOT PID 83361 Prairie Bridge Fund	\$ 8,908
Return of Advance from the ODOT PID 83361 Prairie Bridge to General Fund	\$ 8,908
Advance from the General fund to ODNR NatureWorks Grant Fund	\$ 8,811

The above mentioned transfer was used to move receipts from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them.

The advance for \$8,908 was repaid within the same fiscal year. The advance for \$8,811 was carried over into 2010 due to the late purchase of the Gaston property which was funded by this ODNR NatureWorks reimbursement grant. The reimbursement was received January 12, 2010.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

This discussion and analysis of Franklin Township, Mercer County's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's cash basis accounting.

Highlights

Key highlights for 2008 are as follows:

Net assets of Township activities decreased \$1,915, a small change from the prior year.

The Township's general receipts are made up mainly of property taxes and intergovernmental and the sale of note receipts. These receipts represent \$477,295 of the total cash received for Township activities during the year.

The Township purchased 11.994 acres for \$120,000 from Mike and Linda Klosterman for additional land for the bike path and greenspace. Grant portion was \$105,000, and the township's share was 15,000. (\$25,000 from Nature Works Grant #39-01339 plus \$80,000 from the Clean Ohio Fund - CMDAB Greenway Phase II Grant)

Three and one half miles of paved trails were completed at the end of 2008 to the existing three miles of paved trails along with the 200 acres of preserved greenspace. The Clean Ohio Fund CMDAB Greenway Phase II Grant helped fund this project. (Note: Total Grant = \$1,363,150. In 2007 \$638,390 was received.) \$222,225 of grant money was received in 2008.

A Pedestrian Trail Bridge on Prairie Creek was constructed at the end of 2008 through the ODOT Transportation Enhancement Grant which will pay up to \$206,000. \$38,761 was received in 2008.

Circle Drive and Lake Drive were repaved through an OPWC Grant totaling \$19,854. The Township's share consisted of \$11,269.

Completion of the road widening of Cassella Montezuma Road / Burge Road / Guadalupe Road closed the OPWC CT301 Grant.

In November of 2008, Franklin Township passed a 1 mill levy for the future purchase of new fire equipment which will generate a total of approximately \$325,000 over 5 years.

The Township also purchased Right-of-Way along St. Johns Road for a total of \$7,681.50. Purchased from the following residents:

1. Dennis L. Schulze	\$463
2. Larry R. and Dianne K. Dicke	\$246
3. Christopher L. and Deanna M. Osterloh	\$430
4. Paul and Donna Dahlinghaus	\$1,978
5. Donald A Rawers	\$1,141
6. Daniel and Jane Bruns	\$1,161
7. Timothy and Lisa Bruns	\$1,691
8. Kyle R. Bruns	\$570

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

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.

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 statement of net assets and the statement of activities reflect how the Township did financially during 2008, 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 of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charged paid by the recipient of the program's good or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function of business-type activity draws from the Township's general 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

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Reporting the Township as a Whole (Continued)

Township's financial condition, you should also consider other non financial 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.

Activities of the Township are listed in the Statement of Net Assets and Statement of Activities.

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

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 – Most of 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 Fund, Road and Bridge Fund, OPWC CMDAB Greenway Phase II Fund, OPWC C301 CAS/MON/BUR/Gua.Road Fund and the Fire Tanker 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 governmental fund financial statements.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 and 2006 on a cash basis:

**TABLE 1
NET ASSETS**

(Table 1)

	Governmental Activities		
	2008	2007	2006
Assets			
Cash and Cash Equivalents	\$ 402,709	\$ 50,117	\$ 16,107
Investments	-	354,507	165,537
Total Assets	\$ 402,709	\$ 404,624	\$ 181,644
Net Assets			
Restricted for:			
Capital Projects	\$ 51,912	\$ 45,962	\$ 39,914
Other Purposes	205,804	169,743	51,893
Unrestricted	144,993	188,919	89,837
Total Net Assets	\$ 402,709	\$ 404,624	\$ 181,644

As mentioned previously, total, net assets of Township activities decreased \$1,915 during 2008.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

The Township as a Whole (Continued)

Table 2 provides a summary of the Township's change in net assets for 2008 compared to 2007 and 2006 on a cash basis:

**TABLE 2
CHANGE IN NET ASSETS**

Governmental Activities

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts			
Program Receipts:			
Charges for Services and Sales	\$ 2,990	\$ 2,225	\$ 4,920
Operating Grants and Contributions	137,722	108,596	106,190
Capital Grants and Contributions	<u>610,852</u>	<u>681,168</u>	<u>815,231</u>
Total Program Receipts	<u>751,564</u>	<u>791,989</u>	<u>926,341</u>
General Receipts:			
Property and Other Local Taxes	241,596	244,857	235,059
Sales of Notes	22,800	134,200	45,600
Grants and Entitlements Not Restricted to Specific Programs	84,779	102,288	198,469
Cable Franchise Fee	12,779	13,946	-
Interest	8,254	9,400	8,046
Miscellaneous	<u>107,087</u>	<u>211,735</u>	<u>138,278</u>
Total General Receipts	<u>477,295</u>	<u>716,426</u>	<u>625,452</u>
Total Receipts	<u>1,228,859</u>	<u>1,508,415</u>	<u>1,551,793</u>
Disbursements:			
General Government	190,315	144,645	132,759
Public Safety	73,816	71,010	67,297
Public Works	189,955	123,551	257,291
Public Health Services	17,649	14,542	10,916
Conservation-Recreation	1,667	42,373	1,000
Capital Outlay	578,727	790,833	982,348
Principal Retirement	171,055	92,453	106,551
Interest and Fiscal Charges	<u>7,570</u>	<u>6,028</u>	<u>8,574</u>
Total Disbursements	<u>1,230,774</u>	<u>1,285,435</u>	<u>1,566,736</u>
Increase (Decrease) in Net Assets	(1,915)	222,980	(14,943)
Net Assets, January 1	<u>404,624</u>	<u>181,644</u>	<u>196,587</u>
Net Assets, December 31,	<u>\$ 402,709</u>	<u>\$ 404,624</u>	<u>\$ 181,644</u>

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Governmental Activities

If you look at the "Statement of Activities-Cash Basis" below, you will see the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. 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**

	Total Cost Of Services 2008	Net Cost of Services 2008	Total Cost Of Services 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006
General Government	\$ 190,315	\$ (190,315)	\$ 144,645	\$ (144,645)	\$ 132,759	\$ (132,759)
Public Safety	73,816	(53,392)	71,010	(68,785)	67,297	(62,797)
Public Works	189,975	205,108	123,551	(14,955)	257,291	(151,101)
Public Health Services	17,649	(17,579)	14,542	(14,542)	10,916	(10,496)
Conservation/Recreation	1,667	334,320	42,373	(42,373)	1,000	(1,000)
Capital Outlay	578,727	(578,727)	790,833	(109,665)	982,348	(167,117)
Principal Retirement	171,055	(171,055)	92,400	(92,400)	106,551	(106,551)
Interest and Fiscal Charges	7,570	(7,570)	6,081	(6,081)	8,574	(8,574)
Total Expenses	<u>\$ 1,230,774</u>	<u>\$ (479,210)</u>	<u>\$ 1,285,435</u>	<u>\$ (493,446)</u>	<u>\$ 1,566,736</u>	<u>\$ (640,395)</u>

The dependence upon Capital Grants and Contribution receipts is apparent 50 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 \$1,228,859 and disbursements of \$1,230,774 not including transfers and advances. The greatest changes within the funds included a decrease in the general fund by \$43,926 and an increase in the Road and Bridge Fund by \$33,263.

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 2008, the Township amended its budget to reflect changing circumstances. Several amended certificates were requested during the year to cover increases in budget amounts.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Budgeting Highlights (Continued)

Final disbursements were budgeted \$2,366,223, while actual disbursements were \$1,328,235. 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

Debt

At December 31, 2008, the Township's outstanding debt was \$58,093. For further information regarding the Township's debt, refer to Note 9 – Debt on page 53 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, also the estate tax, the liquor license being reduced to 35 percent and the cable franchise fees being controlled by the state, we realize that our sources of revenue will not increase. To reduce expenses, the Township has aggressively applied for grants to fund needed projects.

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 Lee Ann Dorsten, Fiscal Officer, Franklin Township, 6805 State Route 219, Celina, Ohio 45822.

Franklin Township, Mercer County
Statement of Net Assets - Cash Basis
For the Year Ended December 31, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 402,709
<i>Total Assets</i>	402,709
Net Assets	
Restricted for:	
Capital Projects	51,912
Other Purposes	205,804
Unrestricted	144,993
<i>Total Net Assets</i>	\$ 402,709

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

Franklin Township, Mercer County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 190,315	\$ -	\$ -	\$ -	\$ (190,315)
Public Safety	73,816	2,920	10,244	7,260	(53,392)
Public Works	189,975	-	127,478	267,605	205,108
Health	17,649	70	-	-	(17,579)
Conservation- Rereation	1,667	-	-	335,987	334,320
Capital Outlay	578,727	-	-	-	(578,727)
Debt Service:					
Principal	171,055	-	-	-	(171,055)
Interest	7,570	-	-	-	(7,570)
<i>Total Governmental Activities</i>	<u>\$ 1,230,774</u>	<u>\$ 2,990</u>	<u>\$ 137,722</u>	<u>\$ 610,852</u>	<u>\$ (479,210)</u>
General Receipts					
Property Taxes					241,596
Grants and Entitlements not Restricted to Specific Programs					84,779
Sale of Notes					22,800
Cable Franchise Fees					12,779
Interest					8,254
Miscellaneous					107,087
<i>Total General Receipts</i>					<u>477,295</u>
Change in Net Assets					<u>(1,915)</u>
<i>Net Assets Beginning of Year</i>					<u>404,624</u>
<i>Net Assets End of Year</i>					<u>\$ 402,709</u>

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

Franklin Township, Mercer County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Gasoline Tax	Road and Bridge	Fire Tanker	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 144,993	\$ 54,443	\$ 149,288	\$ 51,912	\$ 2,073	\$ 402,709
<i>Total Assets</i>	<u>144,993</u>	<u>54,443</u>	<u>149,288</u>	<u>51,912</u>	<u>2,073</u>	<u>402,709</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	523	-	-	-	-	523
Unreserved:						
General Fund	144,470	-	-	-	-	144,470
Special Revenue Funds	-	54,443	149,288	-	2,073	205,804
Capital Projects Funds	-	-	-	51,912	-	51,912
<i>Total Fund Balances</i>	<u>\$ 144,993</u>	<u>\$ 54,443</u>	<u>\$ 149,288</u>	<u>\$ 51,912</u>	<u>\$ 2,073</u>	<u>\$ 402,709</u>

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

Franklin Township, Mercer County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Gasoline Tax	Road and Bridge	OPWC CMDAB Greenway Phase II	CA MO/BUR/ OPWC CT301	Fire Tanker	Other Governmental Funds	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$ 30,238	\$ -	\$ 113,748	\$ -	\$ -	\$ 40,608	\$ 57,002	\$ 241,596
Licenses, Permits and Fees	96,521	-	-	-	-	-	2,920	99,441
Intergovernmental	84,779	89,722	18,101	222,225	247,752	7,260	163,515	833,354
Interest	7,249	966	-	-	-	-	39	8,254
Other	22,887	-	457	-	-	-	70	23,414
Total Receipts	241,674	90,688	132,306	222,225	247,752	47,868	223,546	1,206,059
Disbursements								
Current:								
General Government	187,393	-	-	-	-	-	2,922	190,315
Public Safety	5,856	-	-	-	-	-	67,960	73,816
Public Works	27,242	50,708	91,362	-	-	-	20,663	189,975
Health	17,649	-	-	-	-	-	-	17,649
Conservation-Recreation	-	-	-	1,667	-	-	-	1,667
Capital Outlay	-	22,800	7,681	240,816	247,752	1,063	58,615	578,727
Debt Service:								
Principal Retirement	-	34,200	-	25,000	-	36,855	75,000	171,055
Interest and Fiscal Charges	-	1,368	-	3,460	-	2,742	-	7,570
Total Disbursements	238,140	109,076	99,043	270,943	247,752	40,660	225,160	1,230,774
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>3,534</i>	<i>(18,388)</i>	<i>33,263</i>	<i>(48,718)</i>	<i>-</i>	<i>7,208</i>	<i>(1,614)</i>	<i>(24,715)</i>
Other Financing Sources (Uses)								
Note Proceeds	-	22,800	-	-	-	-	-	22,800
Transfers In	-	-	-	47,460	-	-	-	47,460
Transfers Out	(47,460)	-	-	-	-	-	-	(47,460)
Advances In	25,000	-	-	-	-	-	25,000	50,000
Advances Out	(25,000)	-	-	-	-	-	(25,000)	(50,000)
Total Other Financing Sources (Uses)	(47,460)	22,800	-	47,460	-	-	-	22,800
Net Change in Fund Balances	(43,926)	4,412	33,263	(1,258)	-	7,208	(1,614)	(1,915)
Fund Balances Beginning of Year	188,919	50,031	116,025	1,258	-	44,704	3,687	404,624
Fund Balances End of Year	\$ 144,993	\$ 54,443	\$ 149,288	\$ -	\$ -	\$ 51,912	\$ 2,073	\$ 402,709

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

Franklin Township, Mercer County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 27,902	\$ 48,084	\$ 30,238	\$ (17,846)
Licenses, Permits and Fees	94,427	96,521	96,521	-
Intergovernmental	85,397	84,779	84,779	-
Interest	6,662	7,249	7,249	-
Other	7,967	22,887	22,887	-
<i>Total receipts</i>	<u>222,355</u>	<u>259,520</u>	<u>241,674</u>	<u>(17,846)</u>
Disbursements				
Current:				
General Government	177,385	198,935	187,916	11,019
Public Safety	6,250	6,250	5,856	394
Public Works	30,000	31,400	27,242	4,158
Health	16,000	17,650	17,649	1
Capital Outlay	25,000	25,000	-	25,000
<i>Total Disbursements</i>	<u>254,635</u>	<u>279,235</u>	<u>238,663</u>	<u>40,572</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(32,280)</u>	<u>(19,715)</u>	<u>3,011</u>	<u>22,726</u>
Other Financing Sources (Uses)				
Transfers Out	(75,000)	(75,000)	(47,460)	27,540
Advances In	-	25,000	25,000	-
Advances Out	(25,000)	(25,000)	(25,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>(75,000)</u>	<u>(47,460)</u>	<u>27,540</u>
<i>Net Change in Fund Balance</i>	<u>(132,280)</u>	<u>(94,715)</u>	<u>(44,449)</u>	<u>50,266</u>
<i>Fund Balance Beginning of Year</i>	<u>188,919</u>	<u>188,919</u>	<u>188,919</u>	<u>-</u>
Prior Year Encumbrances Appropriated	485	485	485	-
<i>Fund Balance End of Year</i>	<u>\$ 57,124</u>	<u>\$ 94,689</u>	<u>\$ 144,955</u>	<u>\$ 50,266</u>

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

Franklin Township, Mercer County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 96,665	\$ 89,722	\$ 89,722	\$ -
Interest	-	966	966	-
<i>Total receipts</i>	<u>96,665</u>	<u>90,688</u>	<u>90,688</u>	<u>-</u>
Disbursements				
Current:				
Public Works	109,000	109,000	50,708	58,292
Capital Outlay	-	-	22,800	(22,800)
Debt Service:				
Principal Retirement	34,200	34,200	34,200	-
Interest and Fiscal Charges	1,368	1,368	1,368	-
<i>Total Disbursements</i>	<u>144,568</u>	<u>144,568</u>	<u>109,076</u>	<u>35,492</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(47,903)</u>	<u>(53,880)</u>	<u>(18,388)</u>	<u>35,492</u>
Other Financing Sources (Uses)				
Sale of Notes	22,800	22,800	22,800	-
<i>Total Other Financing Sources (Uses)</i>	<u>22,800</u>	<u>22,800</u>	<u>22,800</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(25,103)	(31,080)	4,412	35,492
<i>Fund Balance Beginning of Year</i>	<u>50,031</u>	<u>50,031</u>	<u>50,031</u>	<u>-</u>
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Fund Balance End of Year</i>	<u>\$ 24,928</u>	<u>\$ 18,951</u>	<u>\$ 54,443</u>	<u>\$ 35,492</u>

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

Franklin Township, Mercer County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Road and Bridge Fund
 For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 109,059	\$ 113,748	\$ 113,748	\$ -
Intergovernmental	13,743	18,101	18,101	-
Other	-	457	457	-
<i>Total receipts</i>	122,802	132,306	132,306	-
Disbursements				
Current:				
Public Works	226,860	218,680	91,362	127,318
Other	-	8,300	7,681	619
<i>Total Disbursements</i>	226,860	226,980	99,043	127,937
<i>Excess of Receipts Over (Under) Disbursements</i>	(104,058)	(94,674)	33,263	127,937
<i>Fund Balance Beginning of Year</i>	116,025	116,025	116,025	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Fund Balance End of Year</i>	\$ 11,967	\$ 21,351	\$ 149,288	\$ 127,937

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

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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.

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. Ambulance is contracted with the Mercer County Emergency Management Service.

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.

A. Basis of Presentation

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. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions

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.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

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.

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.

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 2008 major governmental funds were the General Fund, Gasoline Fund, Road and Bridge Fund, OPWC CMDAB Greenway Phase II Fund, OPWC C301 CAS/MON/BUR/Gua.Road Fund and the Fire Tanker Fund.. The major funds are as follows:

General 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

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.

OPWC CMDAB Greenway Phase II Fund – The Township received proceeds of an Ohio Public Works Commission Grant, which was used to purchase Greenspace and easements for a walking path.

OPWC C301 CAS/MON/BUR GUA Road Fund – The Township received proceeds of an Ohio Public Works Commission Grant, which was used to widen and resurface roads.

Fire Tanker Fund - The Township received a State Marshal Revolving loan to finance the purchase of a fire tanker truck. This five year levy expired November of 2008.

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

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

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.

D. Budgetary Process

All 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 has been established at the fund, department and object level for all funds. 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.

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 are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. During 2008, the township had a checking account and STAR Ohio account.

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, 2008.

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 2008 was \$7,250.

F. 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.

G. 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.

H. 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.

I. 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 governmental 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.

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.

J. Interfund Receivables/Payables

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

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements rather than as a reservation of fund balance. The encumbrances outstanding at year end amounted to \$523 for the general fund. There were no outstanding advances in 2009.

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).

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 4 – Deposits and Investments (Continued)

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.

Deposits

As of December 31, 2008 the carrying amount of the Township's deposits was \$47,135. All of the bank balance was covered by federal depository insurance and \$0.00 was uninsured and uncollateralized.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2008 the carrying amount of the Township's deposits into Star Ohio was \$355,574. Star Ohio carries a rating of AAAm by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law required Star Ohio maintain the highest rating provided by at least one nationally recognized standard rating service, and the money market fund be rated in the highest category at the time of purchase 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 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, 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 July 20.

Public utility property tax receipts received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, was levied after October 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007 on the true value as of December 31, 2007. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 5 – Property Taxes (Continued)

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, 2008, was \$5.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

	<u>2008</u>
Real Property	
Residential	\$64,492,150
Public Utility Property	
Real	\$ 4,058,390
Tangible Personal Property	\$ 1,479,500
Total Assessed Value	<u><u>\$70,030,040</u></u>

Note 6 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to 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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA’s retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 or \$3,000,000 as noted above.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 6 – Risk Management (Continued)

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available)

<u>Combined Coverage</u>	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained earnings	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.8 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$12,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 6 – Risk Management (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2006	\$6,843
2007	\$5,884
2008	\$6,241

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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	N/A
Wrongful Acts	\$2,000,000	Per Occurrence
Property	\$1,318,680	Total Coverage
Boiler and Machinery	N/A	N/A

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 Fiscal Officer are bonded for \$10,000. These bonds are also provided by OTARMA.

Note 7 – Defined Benefit Pension Plan

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.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 7 – Defined Benefit Pension Plan (Continued)

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 years ended December 31, 2008 and 2007, the members in the traditional plan, were required to contribute 10.0 and 9.5, percent, respectively, of their annual covered salaries. The Township's contribution rate for pension benefits for 2008 and 2007 was 14.00 percent and 13.85 percent respectively. 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, 2008, 2007, and 2006 were \$10,832, \$10,468 and \$17,218, respectively. The full amount has been contributed for 2008, 2007 and 2006. The Township does not participate in the member-directed plan.

Note 8 - Post Employment Benefits

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. 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 2008 local Township employer contribution rate was 13.85 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.0 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, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 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 .50 and 4 percent annually for the next seven years and 4 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, not to exceed a 12 percent corridor.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 8 - Post Employment Benefits (Continued)

The number of active contributing participants in the traditional and combined plans was 363,503. Actual employer contributions for 2008 and 2007 which were used to fund post employment benefits, were \$6,437 and \$4,134 respectively. The actual contribution and the actuarially required contribution amounts are the same. OPER's net assets available for payment of benefits at December 31, 2007, (the latest information available) were \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17.0 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. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 9 – Debt

A summary of the debt activity for the year ended December 31, 2008, follows:

	Balance			Balance	Due within
	<u>12/31/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2008</u>	<u>One Year</u>
Fire Truck	\$ 72,148	\$ -	\$ 36,855	\$ 35,293	\$ 35,293
Ford Truck	34,200	-	34,200	-	-
Ford Truck #2	-	22,800	-	22,800	22,800
Greenspace Note	100,000	-	100,000	-	-
	<u>\$ 206,348</u>	<u>\$ 22,800</u>	<u>\$ 171,055</u>	<u>\$ 58,093</u>	<u>\$ 58,093</u>

The Ford Truck Loan was issued during 2005 to help maintain Township roads. The loan was refinanced in 2008 as Ford Truck Loan #2 and will be repaid, including interest through 2009.

The Greenspace note is a one year note issued in 2007, payable in 2008. This was used to cover a reimbursement grant.

The Fire Truck note was issued in 2004 to finance the purchase of a fire tanker truck.

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

Year ending	Principal	Interest
December 31:		
2009	<u>58,093</u>	<u>2,139</u>
Total	<u>\$ 58,093</u>	<u>\$ 2,139</u>

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.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 10 – Interfund Transfers and Advances

Interfund transfers and advances for the year ended December 31, 2008, were as follows:

Transfer from the General fund to OPWCCMDAB Greenway Fund	\$15,000
Transfer from the General fund to OPWCCMDAB Greenway Fund	\$ 4,000
Advance from the General fund to LWCF 39-01339 MK Fund	\$25,000
Return of Advance from the LWCF 39-01339 MK Fund \$25,000 to General Fund	\$25,000
Transfer from the General fund to OPWCCMDAB Greenway Fund	\$28,460

The above mentioned transfer was used to move receipts from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them.

The above advances were repaid within the same fiscal year.

Perry & Associates
Certified Public Accountants, A.C.

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Parkersburg, WV 26101
(304) 422-2203

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428 Second Street
Marietta, OH 45750
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

April 9, 2010

Franklin Township
Mercer County
P.O. Box 90
Montezuma, Ohio 45866

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Franklin Township, Mercer County, Ohio** (the Township) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated April 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Franklin Township
Mercer County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government 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 or other matters we must report under *Government Auditing Standards*.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

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
MAY 18, 2010**