

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007
WITH
INDEPENDENT AUDITORS' REPORT**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Franklin Township	County Lenawee
Fiscal Year End March 31, 2007	Opinion Date August 2, 2007	Date Audit Report Submitted to State September 4, 2007	

We affirm that:

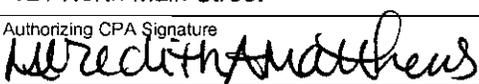
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Robertson, Eaton & Owen, P.C.		Telephone Number 517 265-6154	
Street Address 121 North Main Street		City Adrian	State Zip MI 49221
Authorizing CPA Signature 		Printed Name Meredith A. Matthews	License Number 1101029000

**FRANKLIN TOWNSHIP
 LENAWEЕ COUNTY, MICHIGAN
 INDEPENDENT AUDITORS' REPORT
 TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
Management's Discussion and Analysis	i – vi
Independent Auditors' Report	1
Basic Financial Statements:	
<i>Government-wide Financial Statements</i>	
Statement of Net Assets	2
Statement of Activities	3 – 4
<i>Fund Financial Statements</i>	
Balance Sheets – Governmental Fund	5
Statements of Revenues, Expenditures and Changes in Fund Balance	6
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	7 – 8
Statements of Net Assets – Proprietary Fund	9
Statements of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	10
Statements of Cash Flows – Proprietary Fund	11
Statements of Fiduciary Net Assets – Fiduciary Fund	12
Notes to Financial Statements	13 – 23
Combining Schedule of Fiduciary Funds – Agency Fund	24
Statement of Changes in Assets and Liabilities – Tax Collection Fund	25

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended March 31, 2007

As management of Franklin Township, Lenawee County, Michigan, we offer readers of Franklin Township, Lenawee County, Michigan's financial statements this narrative overview and analysis of the financial activities of Franklin Township, Lenawee County, Michigan for the fiscal year ended March 31, 2007. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of Franklin Township, Lenawee County, Michigan exceeded its liabilities at the close of the most recent fiscal year \$2,898,615 (*net assets*). Of this amount, \$1,595,019 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased \$133,085. This increase is attributable, in a large part, to less funds spent on roads and bridges.
- At the end of the current year, unreserved fund balance for the General Fund was \$895,204 or 270 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Franklin Township, Lenawee County, Michigan's basic financial statements. Franklin Township, Lenawee County, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Franklin Township, Lenawee County, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Franklin Township, Lenawee County, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Franklin Township, Lenawee County, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Franklin Township, Lenawee County, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Franklin Township, Lenawee County, Michigan include general government, public safety, roads and bridges, and cemetery operations. The business-type activity of Franklin Township, Lenawee County, Michigan includes the sewer system.

The government-wide financial statements can be found on pages 2 – 4 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Franklin Township, Lenawee County, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Franklin Township, Lenawee County, Michigan can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Franklin Township, Lenawee County, Michigan maintains two individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund which is considered to be a major fund.

Franklin Township, Lenawee County, Michigan adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 5 – 8 of this report.

Proprietary Fund. Franklin Township, Lenawee County, Michigan maintains one type of Proprietary Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Franklin Township, Lenawee County, Michigan uses an Enterprise Fund to account for its Sewer Fund.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Sewer Fund, which is considered to be major fund of Franklin Township, Lenawee County, Michigan.

The basic fund financial statements can be found on pages 9 – 11 of this report.

Fiduciary Fund. The Fiduciary Fund is used to account for resources held under tax collection activity, trailer tax and performance bond activity. The Fiduciary fund is *not* reflected in the government-wide financial statement. The accounting used for the Fiduciary Fund is much like that used for Proprietary Funds.

The basic fiduciary fund financial statement can be found on page 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 – 23 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Franklin Township, Lenawee County, Michigan, assets exceeded liabilities by \$2,898,615 at the close of the most recent fiscal year.

The largest portion of Franklin Township, Lenawee County, Michigan's net assets (45 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. Franklin Township, Lenawee County, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Franklin Township has bonds through Lenawee County related to capital assets.

Franklin Township, Lenawee County, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 901,792	\$ 1,371,842	\$ 2,273,634
Capital assets	<u>53,661</u>	<u>2,221,268</u>	<u>2,274,929</u>
Total assets	<u>\$ 955,453</u>	<u>\$ 3,593,110</u>	<u>\$ 4,548,563</u>
Liabilities			
Current liabilities	5,521		5,521
Long term liabilities	<u> </u>	<u>1,644,427</u>	<u>1,644,427</u>
Total liabilities	<u>\$ 5,521</u>	<u>\$ 1,644,427</u>	<u>\$ 1,649,948</u>
Net assets:			
Invested in capital assets, net of related debt	53,661	1,248,868	1,302,529
Restricted for expendable trust	1,067		1,067
Unrestricted	<u>895,204</u>	<u>699,815</u>	<u>1,595,019</u>
Total net assets	<u>\$ 949,932</u>	<u>\$ 1,948,683</u>	<u>\$ 2,898,615</u>

A portion of Franklin Township, Lenawee County, Michigan's net assets (.04 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,595,019) may be used to meet the government's ongoing obligations to citizens and creditors.

Franklin Township, Lenawee County, Michigan's Change in Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program revenues:			
Charges for services	\$ 40,344	\$ 76,697	\$ 117,041
Capital grants and contributions	<u> </u>	<u>94,367</u>	<u>94,367</u>
Total program revenues	<u>40,344</u>	<u>171,064</u>	<u>211,408</u>
General revenues:			
Property taxes	96,520		96,520
Franchise taxes	6,040		6,040
Intergovernmental – State	204,385		204,385
Unrestricted investment earnings	22,593	62,979	85,572
Other	<u>25,305</u>	<u> </u>	<u>25,305</u>
Total general revenues	<u>354,843</u>	<u>62,979</u>	<u>417,822</u>
Expenses:			
General government	136,171		136,171
Public health and safety	29,357		29,357
Public works	15,384		15,384
Community and economic development	134,156		134,156
Other	16,921		16,921
Sewer	<u> </u>	<u>164,156</u>	<u>164,156</u>
Total expenses	331,989	164,156	496,145
Change in net assets	63,198	69,887	133,085
Beginning net assets	<u>886,734</u>	<u>1,878,796</u>	<u>2,765,530</u>
Ending net assets	<u>\$ 949,932</u>	<u>\$ 1,948,683</u>	<u>\$ 2,898,615</u>

At the end of the current fiscal year, Franklin Township, Lenawee County, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of Franklin Township, Lenawee County, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Franklin Township, Lenawee County, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, Franklin Township, Lenawee County, Michigan's governmental fund (General Fund) reported combined ending fund balance of \$895,204, an increase of \$63,504 in comparison with the prior year.

The General Fund is the chief operating fund of Franklin Township, Lenawee County, Michigan. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$895,204.

The fund balance of Franklin Township, Lenawee County, Michigan's General Fund increased by \$63,504 during the current fiscal year. A key factor in this increase was the unspent portion of the roads and bridges millage.

Proprietary Fund - Franklin Township, Lenawee County, Michigan's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$699,815.

General Fund Budgetary Highlights

The significant differences between the final and actual budget are due to the Township incurring expenses greater than expected. The capital outlay is over budget due to paving the cemetery driveway.

Capital Asset and Debt Administration

Capital assets. Franklin Township, Lenawee County, Michigan's investment in capital assets for its governmental and business-type activities as of March 31, 2007, amounts to \$2,274,929 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, office equipment and computers, and sewer system.

Franklin Township, Lenawee County, Michigan's Capital Assets

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Land	\$ 33,312	\$	\$ 33,312
Land improvements	18,071		18,071
Buildings and improvements	25,881		25,881
Machinery and equipment	9,705		9,705
Office equipment and computers	8,215		8,215
Sewer system	<u> </u>	<u>2,739,451</u>	<u>2,739,451</u>
 Total	 <u>\$ 95,184</u>	 <u>\$ 2,739,451</u>	 <u>\$ 2,834,635</u>

Additional information on Franklin Township's capital assets can be found in Note 5. on page 20.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates increased legal expenses, and also a possible reduction in revenue sharing. The Township also anticipates less expenditures and income for building and electrical inspections due to economic factors.

Requests for Information

This financial report is designed to provide a general overview of Franklin Township, Lenawee County, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Franklin Township, 4041 East Monroe Road, P.O. Box 101, Tipton, MI 49287.

August 2, 2007

INDEPENDENT AUDITORS' REPORT

Franklin Township
Lenawee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin Township, Lenawee County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Franklin Township, Lenawee County, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin Township, Lenawee County, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Robertson, Eaton & Owen, P.C.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

March 31, 2007

PRIMARY GOVERNMENT			
	Governmental <u>Activities</u>	Business-Type <u>Activity</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 705,408	\$ 547,234	\$ 1,252,642
Investments	81,929		81,929
Taxes receivable	75		75
Accounts receivable		19,936	19,936
Due from agency funds	100,732	121,967	222,699
Due from other governmental units	8,948	15,378	24,326
Internal balances	4,700	(4,700)	
Special assessments receivable		672,027	672,027
Capital assets:			
Land	33,312		33,312
Land improvements	18,071		18,071
Buildings	25,881		25,881
Machinery and equipment	9,705		9,705
Office equipment and computers	8,215		8,215
Sewer system		2,739,451	2,739,451
Less: Accumulated depreciation	<u>(41,523)</u>	<u>(518,183)</u>	<u>(559,706)</u>
Total assets	<u>\$ 955,453</u>	<u>\$ 3,593,110</u>	<u>\$ 4,548,563</u>
Liabilities:			
Accounts payable	5,521		5,521
Deferred revenue – special assessment		672,027	672,027
Bonds payable		<u>972,400</u>	<u>972,400</u>
Total liabilities	<u>5,521</u>	<u>1,644,427</u>	<u>1,649,948</u>
Net assets:			
Invested in capital assets, net of related debt	53,661	1,248,868	1,302,529
Restricted for expendable trust	1,067		1,067
Unrestricted	<u>895,204</u>	<u>699,815</u>	<u>1,595,019</u>
Total net assets	<u>\$ 949,932</u>	<u>\$ 1,948,683</u>	<u>\$ 2,898,615</u>

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

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 136,171	\$ 11,653	\$	\$
Public safety	29,357	28,691		
Public works	134,156			
Community and economic development	15,384			
Other	<u>16,921</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>331,989</u>	<u>40,344</u>	<u> </u>	<u> </u>
Business-Type activities:				
Sewer system	<u>164,156</u>	<u>76,697</u>	<u>-</u>	<u>94,367</u>
Total primary government	<u>\$ 496,145</u>	<u>\$ 117,041</u>	<u>\$ -</u>	<u>\$ 94,367</u>

General Revenues:

Property taxes
Franchise taxes
Intergovernmental – State
Investment earnings
Other

Total general revenues

Change in net assets

Net assets – beginning of year

Net assets – end of year

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (124,518)	\$	\$ (124,518)
(666)		(666)
(134,156)		(134,156)
(15,384)		(15,384)
<u>(16,921)</u>	<u> </u>	<u>(16,921)</u>
<u>(291,645)</u>	<u> </u>	<u>(291,645)</u>
<u> </u>	<u> 6,908</u>	<u> 6,908</u>
<u>\$ (291,645)</u>	<u>\$ 6,908</u>	<u>\$ (284,737)</u>
\$ 96,520	\$	\$ 96,520
6,040		6,040
204,385		204,385
22,593	62,979	85,572
<u>25,305</u>	<u> </u>	<u>25,305</u>
354,843	62,979	417,822
63,198	69,887	133,085
<u>886,734</u>	<u>1,878,796</u>	<u>2,765,530</u>
<u>\$ 949,932</u>	<u>\$ 1,948,683</u>	<u>\$ 2,898,615</u>

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

BALANCE SHEET

GOVERNMENTAL FUNDS

March 31, 2007

	<u>General Fund</u>	<u>Nonmajor Permanent Fund</u>	<u>Total General Fund 2007</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 705,408	\$	\$ 705,408
Investments	80,862	1,067	81,929
Taxes receivable	75		75
Due from other funds	4,700		4,700
Due from agency funds	100,732		100,732
Due from other governmental units	<u>8,948</u>		<u>8,948</u>
Total assets	<u>900,725</u>	<u>1,067</u>	<u>901,792</u>
 Liabilities and fund balances:			
Current liabilities:			
Accounts payable	<u>5,521</u>		<u>5,521</u>
Total liabilities	<u>5,521</u>		<u>5,521</u>
 Fund balances:			
Reserved for:			
Nonexpendable trust			
Expendable trust		1,000	1,000
Unreserved:			
Designated for building and site	194,351	67	194,351
Undesignated	<u>700,853</u>		<u>700,853</u>
Total fund balances	<u>895,204</u>	<u>1,067</u>	<u>896,271</u>
Total liabilities and fund balances	<u>\$ 900,725</u>	<u>\$ 1,067</u>	<u>\$ 901,792</u>

Amounts reported for governmental activities
in the Statement of Net Assets are different
because:

Capital assets used in governmental activities
are not financial resources and, therefore,
are not reported in the governmental funds.

The cost of the capital assets is:	\$ 95,184
The accumulated depreciation is:	<u>(41,523)</u>

Net differences	53,661
-----------------	--------

Total fund balance in governmental funds	<u>896,271</u>
--	----------------

Total net assets of governmental activities	<u>\$ 949,932</u>
---	-------------------

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

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –

GOVERNMENTAL FUNDS

For the Year Ended March 31, 2007

	<u>General Fund</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 96,520	\$	\$ 96,520
Franchise taxes	6,040		6,040
Licenses, permits and fees	40,344		40,344
Intergovernmental revenues	204,385		204,385
Interest	22,573	20	22,593
Miscellaneous revenues	<u>25,305</u>	<u> </u>	<u>25,305</u>
Total revenues	<u>395,167</u>	<u>20</u>	<u>395,187</u>
Expenditures:			
Current:			
General government	133,278		133,278
Public health and safety	29,357		29,357
Public works	134,156		134,156
Community and economic development	15,384		15,384
Other	16,921		16,921
Capital outlay	<u>2,567</u>	<u> </u>	<u>2,567</u>
Total expenditures	<u>331,663</u>	<u> </u>	<u>331,663</u>
Net change in fund balances	63,504	20	63,524
Fund balances – beginning of year	<u>831,700</u>	<u>1,047</u>	<u>831,700</u>
Fund balances – end of year	<u>\$ 895,204</u>	<u>\$ 1,067</u>	<u>\$ 895,224</u>
Amounts reported for governmental activities in the Statement of Activities are different because:			
Net change in fund balances – governmental funds			\$ 63,524
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (Total depreciation \$2,893 less total capital outlay \$2,567).			
			<u>(326)</u>
Change in net assets in governmental activities			<u>\$ 63,198</u>

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 92,400	\$ 92,400	\$ 96,520	\$ 4,120
Franchisc taxes	<u>5,000</u>	<u>5,000</u>	<u>6,040</u>	<u>1,040</u>
Total taxes	<u>97,400</u>	<u>97,400</u>	<u>102,560</u>	<u>5,160</u>
Licenses, permits and fees:				
Permits	32,000	32,000	28,691	(3,309)
License fees	100	100	153	53
Other fees	5,000	5,000	4,450	(550)
Cemetery fees	<u>5,500</u>	<u>5,500</u>	<u>7,050</u>	<u>1,500</u>
Total licenses, permits and fees	<u>42,600</u>	<u>42,600</u>	<u>40,344</u>	<u>(2,256)</u>
Intergovernmental revenues:				
State sales tax	190,000	190,000	200,530	10,530
Metro Act	<u> </u>	<u> </u>	<u>3,855</u>	<u>3,855</u>
Total intergovernmental revenues	<u>190,000</u>	<u>190,000</u>	<u>204,385</u>	<u>14,385</u>
Interest	<u>10,000</u>	<u>10,000</u>	<u>22,573</u>	<u>12,573</u>
Miscellaneous	<u>11,450</u>	<u>11,450</u>	<u>25,305</u>	<u>13,855</u>
Total revenues	<u>351,450</u>	<u>351,450</u>	<u>395,167</u>	<u>43,717</u>
Expenditures:				
General Government				
Township board	37,100	75,260	42,928	32,332
Supervisor	12,000	12,000	12,000	
Clerk	14,500	14,500	14,311	189
Treasurer	15,800	15,800	15,759	41
Board of review	1,300	1,300	918	382
Assessor	24,000	24,000	24,586	(586)
Township hall	13,200	13,200	4,655	8,545
Election	5,000	5,000	3,781	1,219
Cemetery	<u>15,000</u>	<u>15,000</u>	<u>14,340</u>	<u>660</u>
Total general government	<u>137,900</u>	<u>176,060</u>	<u>133,278</u>	<u>42,782</u>

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

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Total expenditures carried forward	\$ 137,900	\$ 176,060	\$ 133,278	\$ 42,782
Public health and safety:				
Building inspection	<u>39,000</u>	<u>39,000</u>	<u>29,357</u>	<u>9,643</u>
Total public health and safety	<u>39,000</u>	<u>39,000</u>	<u>29,357</u>	<u>9,643</u>
Public works:				
Roads and bridges	658,104	617,103	127,131	489,972
Drain at large	2,000	4,600	4,575	25
Street lighting	2,200	2,260	2,450	(190)
Other public works	<u>10,000</u>	<u>10,000</u>	<u> </u>	<u>10,000</u>
Total public works	<u>672,304</u>	<u>633,963</u>	<u>134,156</u>	<u>499,807</u>
Community and Economic Development:				
Zoning	13,000	13,000	11,498	1,502
Planning	<u>8,000</u>	<u>9,170</u>	<u>3,886</u>	<u>5,284</u>
Total community and economic development	<u>21,000</u>	<u>22,170</u>	<u>15,384</u>	<u>6,786</u>
Other:				
Insurance	7,000	7,000	6,007	993
Fringe benefits	1,000	1,000	541	459
Retirement	6,450	6,450	5,930	520
Payroll taxes	<u>5,250</u>	<u>5,250</u>	<u>4,443</u>	<u>807</u>
Total other	<u>19,700</u>	<u>19,700</u>	<u>16,921</u>	<u>2,779</u>
Capital outlay	<u> </u>	<u> </u>	<u>2,567</u>	<u>(2,567)</u>
Total expenditures	<u>889,904</u>	<u>890,893</u>	<u>331,663</u>	<u>559,230</u>
Net change in fund balance	(538,454)	(539,443)	63,504	602,947
Fund balance – beginning of year			<u>831,700</u>	
Fund balance – end of year			<u>\$ 895,204</u>	

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

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENTS OF NET ASSETS

PROPRIETARY FUND

March 31, 2007

	Business-Type Activity – Enterprise Fund
	Sewer Fund <u>2007</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 547,234
Accounts receivable	19,936
Due from tax collection	121,967
Due from other governmental units	<u>15,378</u>
Total current assets	<u>704,515</u>
Capital assets:	
Sewer system	2,739,451
Less: Accumulated depreciation	<u>(518,183)</u>
Total capital assets – net	<u>2,221,268</u>
Sewer assessment receivable	<u>672,027</u>
Total noncurrent assets	<u>2,893,295</u>
Total assets	<u>\$ 3,597,810</u>
Liabilities:	
Current liabilities:	
Due to other funds	\$ 4,700
Deferred special assessment revenue-current portion	82,274
Bonds payable-current portion	<u>106,600</u>
Total current liabilities	<u>193,574</u>
Noncurrent liabilities:	
Deferred special assessment revenue-noncurrent portion	589,753
Bonds payable-noncurrent portion	<u>865,800</u>
Total noncurrent liabilities	<u>1,455,553</u>
Total liabilities	<u>1,649,127</u>
Net assets:	
Invested in capital assets, net of related debt	1,248,868
Unrestricted	<u>699,815</u>
Total net assets	<u>\$ 1,948,683</u>

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

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS

PROPRIETARY FUND

For the Year Ended March 31, 2007

	Business-Type Activity – Enterprise Fund
	Sewer Fund 2007
Operating revenues:	
Sewer usage fee	\$ 74,264
Other income	<u>2,433</u>
Total operating revenues	<u>76,697</u>
Operating expenses:	
Operating and maintenance	82,318
Depreciation	<u>54,789</u>
Total operating expenses	<u>137,107</u>
Operating loss	<u>(60,410)</u>
Nonoperating revenues (expenses):	
Special assessments	94,367
Interest income	62,979
Interest expense	<u>(27,049)</u>
Total nonoperating revenues (expenses)	<u>130,297</u>
Change in net assets	69,887
Total net assets – beginning of year	<u>1,878,796</u>
Total net assets – end of year	<u>\$ 1,948,683</u>

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

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

**STATEMENTS OF CASH FLOWS
PROPRIETARY FUND**

For the Years Ended March 31, 2007

DECREASE IN CASH AND CASH EQUIVALENTS

	Business-Type Activity – Enterprise Fund
	Sewer Fund <u>2007</u>
Cash flows from operating activities:	
Cash receipts from customers	\$ 70,650
Cash payments to suppliers for services	<u>(77,618)</u>
Net cash used in operating activities	<u>(6,968)</u>
Cash flows from capital and related financing activities:	
Special assessments	(42,978)
Bond repayment	(106,600)
Interest expense	<u>(27,049)</u>
Net cash used in capital and related financing activities	<u>(176,627)</u>
Cash flows from investing activities:	
Interest	<u>62,979</u>
Net decrease in cash and cash equivalents	(120,616)
Cash and cash equivalents – beginning of year	<u>667,850</u>
Cash and cash equivalents – end of year	<u>\$ 547,234</u>

**Reconciliation of Operating Loss to Net Cash
Used in Operating Activities**

Operating loss	\$ <u>(60,410)</u>
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	54,789
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	485
Increase (decrease) in accounts payable	(6,532)
Increase (decrease) in due to other funds	<u>4,700</u>
Total adjustments	<u>53,442</u>
Net cash used in operating activities	<u>\$ (6,968)</u>

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

FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

March 31, 2007

	<u>AGENCY FUNDS</u>
Assets:	
Cash and cash equivalents	\$ <u>856,829</u>
Total assets	\$ <u>856,829</u>
Liabilities	
Due to taxpayer	\$ 2,015
Due to other funds	222,699
Due to other governmental units	<u>632,115</u>
Total liabilities	<u>\$ 856,829</u>

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

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Franklin Township, Lenawee County, Michigan (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

A. Reporting Entity

Franklin Township is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Franklin Township as a primary government. There are no component units to the Township.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. The government-wide financial statements categorize primary activities as either governmental or business-type.

Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and a fiduciary fund, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund (General Fund) and the major individual enterprise fund (Sewer Fund) are reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

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

The government reports the following major proprietary fund:

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Township's sewer system.

The government reports the following nonmajor governmental fund:

The *Permanent Fund* is used to account for resources legally held in trust to care and maintain the grave site of Addie Lindberg as written in her last will and testament.

Additionally, the government reports the following fiduciary fund types:

The *Tax Collection Fund* is used to account for assets held by the Township as an agent for other governments, and/or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

The *Bond and Trailer Tax Fund* and the *Fathi/Schroeder Fund* are used to account for assets held by the Township as an agent for other governments, other funds and/or taxpayers. These agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activity (Sewer Fund), subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is payment of utility charges between the Township's sewer function and the general fund. Elimination of these charges would distort the direct costs and program revenues reported for the two functions concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and cash equivalents include cash on hand and deposits with maturities less than three months in the statement of cash flows for the proprietary fund.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in bank accounts, cash on hand and demand deposits.

The Township owned investments of certificates of deposit at year-end. The Township's investment policy, in regards to authorized investments, is in accordance with Michigan Compiled Laws Section 129.91.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Personal property taxes receivable is shown net of an allowance for uncollectibles.

The Township property tax is levied on each December 1 on the taxable value of property located in the Township as of the preceding December 31.

The Township's 2006 ad valorem tax was levied and collectible on December 1, 2006. It is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are made available for the financing of Township operations. Payment from the County Delinquent Tax Fund, which purchases the 2006 delinquent real property taxes, is recorded as a receivable and recognized as revenue in the current fiscal year.

The 2006 taxable value of Franklin Township totaled \$129,163,371. The Township levied .7443 mills (Tax, \$96,084) for general operating.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Equipment and vehicles	10 – 30
Furnishings	30
Sewer system	35

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the year ended March 31, 2007, the Township incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>General Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Assessor	\$ 24,000	\$ 24,586	\$ (586)
Street lighting	2,260	2,450	(190)
Capital outlay		2,567	(2,567)

These additional expenditures were funded by greater than anticipated revenues in the General Fund.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of March 31, 2007, \$2,091,654 of the Township's bank balance of \$2,191,654 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$2,091,654</u>
--------------------------------	--------------------

All deposits are with banks located in Michigan as required by statutes.

Investments

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township does not have an investment policy for interest rate risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Township does not have a concentration of credit risk policy.

The Township's total investments are certificates of deposit with United Bank & Trust. The weighted average maturity of the governmental funds certificates of deposits is 586.57 days.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

NOTE 4. RECEIVABLES (Continued)

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Sewer</u>	<u>Total</u>
Receivables:			
Taxes	\$ 75	\$	\$ 75
Accounts		19,936	19,936
Intergovernmental	8,948	15,378	24,326
Special assessments	<u> </u>	<u>672,027</u>	<u>672,027</u>
Gross receivables	9,023	707,341	716,364
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 9,023</u>	<u>\$ 707,341</u>	<u>\$ 716,364</u>

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 33,312	\$ _____	\$ _____	\$ 33,312
Land improvements	15,504	2,567		18,071
Buildings and improvements	25,881			25,881
Machinery and equipment	9,705			9,705
Office equipment and computers	<u>8,215</u>	_____	_____	<u>8,215</u>
Depreciable capital assets	<u>59,305</u>	<u>2,567</u>	_____	<u>61,872</u>
Accumulated depreciation for:				
Land improvements	6,517	947		7,464
Buildings and improvements	25,881			25,881
Machinery and equipment	4,130	970		5,100
Office equipment and computers	<u>2,102</u>	<u>976</u>	_____	<u>3,078</u>
Total accumulated depreciation	<u>38,630</u>	<u>2,893</u>	-	<u>41,523</u>
Net depreciable capital assets	<u>20,675</u>	<u>(326)</u>	-	<u>20,349</u>
Governmental activities, net capital assets	<u>\$ 53,987</u>	<u>\$ (326)</u>	<u>\$ -</u>	<u>\$ 53,661</u>
Business-type activities:				
Sewer system	\$ 2,739,451	\$ _____	\$ _____	\$ 2,739,451
Accumulated depreciations-Sewer system	<u>463,394</u>	<u>54,789</u>	_____	<u>518,183</u>
Business-type activities net capital assets	<u>\$ 2,276,057</u>	<u>\$ (54,789)</u>	<u>\$ -</u>	<u>\$ 2,221,268</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	<u>\$ 2,893</u>
Total depreciation expense-governmental activities	<u>\$ 2,893</u>
Business-type activities:	
Sewer fund	<u>\$ 54,789</u>
Total depreciation expense-business-type activities	<u>\$ 54,789</u>

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 6. INTERFUND BALANCES

Interfund balances at March 31, 2007 are as follows:

	Due from			Total
<u>Due to</u>	General Fund	Sewer Fund	Fiduciary Funds	
General Fund	\$	\$ 4,700	\$ 100,732	\$ 105,432
Sewer Fund	4,700		121,967	126,667
	\$ 4,700	\$ 4,700	\$ 222,699	232,099

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at March 31, 2007 are expected to be repaid within the next fiscal year.

NOTE 7. FUND BALANCE

Fund balances on the Governmental fund balance sheet are classified as either reserved or unreserved. The term reserved indicates that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use. The reserve for nonexpendable trust represents the principal amount and the reserve for expendable trust represents the earnings on the principal that may be used for care and maintenance of a grave site as stipulated by Addie Lindberg's last will and testament.

The designated portion of unreserved fund balance for building and site represents the amount designated by the board for a potential new town hall.

NOTE 8. LONG TERM LIABILITIES

Business-type activities

The Township entered into a contract with Lenawee County and Cambridge Township for the acquisition, construction and financing of the Cambridge/Franklin Sewage Disposal System, as established by the Lenawee County Board of Commissioners. Franklin Township's portion represents 52%, or \$2,022,800, of the total \$3,890,000 original bonds issued by Lenawee County, dated June 1, 1996. The interest rate varies between 4.5% and 7.5% per the bond schedule. The maturity date of these bonds is May 1, 2015.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 8. LONG TERM LIABILITIES (Continued)

The schedule of long term liability activity follows:

	Sewer Fund Franklin Township share Of the Lenawee County Sewage Disposal Bonds <u>Series 1996</u>
Balance April 1, 2006	\$ 1,079,000
Increases	
Decreases	_____ (106,600)
Balance March 31, 2007	972,400
Less: current portion	_____ (106,600)
Total due after one year	<u>\$ 865,800</u>

Debt service requirements at March 31, 2007, were as follows:

<u>Year ended March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 106,600	\$ 42,532	\$ 149,132
2009	106,600	36,562	143,162
2010	106,600	31,766	138,366
2011	101,400	27,085	128,485
2012	101,400	22,523	123,923
2013 - 2016	_____ 449,800	_____ 43,583	_____ 493,383
	<u>\$ 972,400</u>	<u>\$ 204,051</u>	<u>\$ 1,176,451</u>

NOTE 9. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township is a member of the Michigan Township Participating Plan ("Plan") to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses and to defend and protect against liability or loss. The Plan provides protection to the Township based on its selected risks, limits and deductibles. Any settled claims have not exceeded the limits of coverage in any of the past three years.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 10. PENSION PLAN

The Township provides pension benefits for elected officials through a defined contribution plan as authorized by IRS code section 401(b). The plan is through John Hancock, an insurance company, in connection with the Michigan Township Association. The contributions to the pension plan are invested in life insurance annuities. Officials are eligible to participate immediately but must be at least twenty-one (21) years old. Contributions to the plan are based on level of income. Participants must contribute 25% of premium costs and the Township contributes the remaining 75%. The Township's pension expense for the year ended March 31, 2007 was \$5,930 and participants contributed \$2,050.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

COMBINING SCHEDULE OF FIDUCIARY FUNDS

AGENCY FUNDS

March 31, 2007

<u>Assets</u>	<u>Tax collection Fund</u>	<u>Bond & Trailer Tax Fund</u>	<u>Fathi/Schroeder Fund</u>	<u>Total</u>
Cash	\$ 841,296	\$ 13,518	\$ 2,015	\$ 856,829
Total assets	<u>\$ 841,296</u>	<u>\$ 13,518</u>	<u>\$ 2,015</u>	<u>\$ 856,829</u>
<u>Liabilities</u>				
Due to taxpayer	\$	\$	\$ 2,015	\$ 2,015
Due to other funds	209,181	13,518		222,699
Due to other governmental units	<u>632,115</u>	<u></u>	<u></u>	<u>632,115</u>
Total liabilities	<u>\$ 841,296</u>	<u>\$ 13,518</u>	<u>\$ 2,015</u>	<u>\$ 856,829</u>

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

TAX COLLECTION FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2007

<u>Assets</u>	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2007</u>
Cash	\$ 795,039	\$ 2,193,058	\$ 2,146,801	\$ 841,296
Total assets	<u>\$ 795,039</u>	<u>\$ 2,193,058</u>	<u>\$ 2,146,801</u>	<u>\$ 841,296</u>
<u>Liabilities</u>				
Due to other funds	\$ 91,335	\$ 215,624	\$ 97,778	\$ 209,181
Due to other governmental units	<u>703,704</u>	<u>1,977,434</u>	<u>2,049,023</u>	<u>632,115</u>
Total liabilities	<u>\$ 795,039</u>	<u>\$ 2,193,058</u>	<u>\$ 2,146,801</u>	<u>\$ 841,296</u>

ROBERTSON
E A T O N
&
O W E N

P.C.

August 2, 2007

To the Board of Trustees
Franklin Township
Lenawee County, Michigan

We have audited the basic financial statements of Franklin Township as of and for the year ended March 31, 2007, and have issued our report thereon dated August 2, 2007.

In planning and performing our audit of the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Franklin Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Page 2

August 2, 2007

To the Board of Trustees
Franklin Township
Lenawee County, Michigan

Segregation of duties is a desired control that all townships should have to maximize the effectiveness of their internal control over receiving, disbursing, recording and reporting financial transactions. However, we also know that this requires additional funds to support, and given the size of the township, it is not feasible nor reasonable that you hire additional staff to get the desired controls. We recommend that the board review the current policies and determine if there is a way to achieve the desired controls without adding additional costs. We would be available to help with this if desired.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.