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**FRANKLIN TOWNSHIP  
MORROW COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2005**

*Whited Seigneur Sams & Rahe, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS



213 South Paint Street • Chillicothe, Ohio 45601-3828  
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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Franklin Township, Morrow County  
5107 Township Road 117  
Mt. Gilead, Ohio 43338

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

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, Morrow County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 3, 2006

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**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO**

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# Whited Seigneur Sams & Rahe, LLP

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April 17, 2006

Board of Trustees  
Franklin Township  
Morrow County  
5380 State Route 95  
Mount Gilead, OH 43338

## Report of Independent Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Morrow County, Ohio (the Township) as of and for the year ended December 31, 2005, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Morrow County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Fire Levy and Road Levy Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2006 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of our 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,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**Franklin Township, Morrow County, Ohio**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**  
**Unaudited**

This discussion and analysis of Franklin Township's financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2005, within the limitations of the Government's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

Franklin Township's general receipts are primarily property taxes. These receipts represent respectively 57% of the total cash received for governmental activities during the year. Property tax receipts for 2005 increased from 2004 by 71% due to the fact the township passed a new 2.5 mil road levy in November 2004. This new road levy created a new fund of which accounted for 44% of the total property tax receipts in 2005.

Franklin Township's gas tax fund also provides for 30% for the total cash receipts for 2005. In 2005 this fund has increased 13% from 2004.

**Using the Basic Financial Statements**

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

**Report Components**

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government 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 governments-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. Franklin Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Government's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.



**Franklin Township, Morrow County, Ohio**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**  
**Unaudited**

**Reporting the Government as a Whole**

The statement of net assets and the statement on activities reflect how Franklin Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Government at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods and 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 or business-type activity draws from the Government's general receipts.

These statements report the Government's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Government's financial health. Over time, increases or decreases in the Government's cash position is one indicator of whether the Government's financial health is improving or deteriorating. When evaluating the Government's financial condition, you should also consider other non-financial factors as well, such as the Government's property tax base, the condition of the Government's capital assets and infrastructure, the extent of the Government'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 taxes.

In the statement of net assets and the statement of activities, we divide the Government into two types of governmental activities. Most of the Government's basic services are reported here. State and federal grants, income and property taxes finance most of these activities.

Business-type activities are financed by a fee charged to the customer receiving the service. At this time Franklin Township has no business-type activity.

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

Fund financial statements provide detailed information about the Government's major funds- not the Government as a whole. The Government 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. The funds of the Government are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Government's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Government'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 Government's programs. The Government's significant governmental funds are presented on the financial statements in separate columns. The information for non-major 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 Government's major funds include the General Fund, Gasoline Tax Fund, Fire Levy Fund, and Road Levy 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 reconciliation presented with the governmental fund financial statements.

**Franklin Township, Morrow County, Ohio**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**  
**Unaudited**

Proprietary Funds - When the Government charges customers for the services it provides, these services are generally reported in proprietary funds. Franklin Township has no Proprietary Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these are not available to support the Government's programs. Franklin Township has no Fiduciary Funds.

**The Government as a Whole**

Table 1 provides a summary of the Government's net assets for 2005 on a modified cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	2005	2005	2005
<b>Assets</b>			
Cash and Cash Equivalents	\$253,037.43		\$253,037.43
Investments			
Total Assets	<u>\$253,037.43</u>	<u>\$0.00</u>	<u>\$253,037.43</u>
<b>Net Assets</b>			
Restricted for:			
Debt Service			
Capital Outlay			
Other Purposes	\$224,151.70		\$224,151.70
Unrestricted	<u>28,885.73</u>		<u>28,885.73</u>
Total Net Assets	<u>\$253,037.43</u>	<u>\$0.00</u>	<u>\$253,037.43</u>

Property Tax income has remained the same the past two years. However, as mentioned previously the new Road Levy Funds have helped increase net assets by a substantial amount (\$66,000). This additional income has allowed the township to replace and repair numerous road ditches and culverts. Franklin Township has also been able to double chip and seal a gravel road (approximately 3,000 feet long). Other accomplishments of the township have been routine road maintenance and dust control, which have cost approximately \$56,000. In addition equipment repair cost has resulted in approximately \$7,600. There have been no major purchases in 2005, which has allowed our finances to remain in good standing.

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

**Franklin Township, Morrow County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited**

(Table 2)  
Changes in Net Assets

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$0		\$0
Operating Grants and Contributions	87,146		87,146
Capital Grants and Contributions			0
Total Program Receipts	<u>87,146</u>	<u>0</u>	<u>87,146</u>
General Receipts:			
Property and Other Local Taxes	140,743		140,743
Income Taxes			0
Grants and Entitlements Not Restricted to Specific Programs	29,064		0
Interest	2,782		2,782
Miscellaneous	1,974		1,974
Total General Receipts	<u>174,563</u>	<u>0</u>	<u>174,563</u>
Total Receipts	<u>261,709</u>	<u>0</u>	<u>261,709</u>
Disbursements:			
General Government	64,194		64,194
Public Works	116,640		116,640
Public Health Services	5,161		5,161
Leisure Time Activities			0
Economic Development			0
Basic Utilities			0
Transportation			0
Capital Outlay	14,566		14,566
Principal Retirement			0
Interest and Fiscal Charges			0
Water			0
Total Disbursements	<u>200,561</u>	<u>0</u>	<u>200,561</u>
Excess (Deficiency) Before Transfers	61,148	0	61,148
Transfers			0
Increase (Decrease) in Net Assets	<u>61,148</u>	<u>0</u>	<u>61,148</u>
Net Assets, January 1, 2005	<u>191,889</u>		<u>191,889</u>
Net Assets, December 31, 2005	<u>\$253,037</u>	<u>\$0</u>	<u>\$253,037</u>

Program receipts represent only 33% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle licenses and gas tax money.

General receipts represent 67% of the Government's total receipts, and of this amount, over 81% are local taxes. State and federal grants and entitlements make up the balance of the Government's general receipts (16%). Other receipts are very insignificant and somewhat unpredictable revenue sources.

**Franklin Township, Morrow County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited**

If you look at the Statement of Activities attached, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government that accounts for 32% and Public Works, which represents a significant cost of 58% of all governmental disbursements. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government 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**

	<u>Total Cost Of Services 2005</u>	<u>Net Cost of Services 2005</u>
General Government	\$64,194	\$64,194
Public Works	116,640	29,494
Public Health Services	5,161	5,161
Leisure Time Activities		
Economic Development		
Basic Utilities		
Transportation		
Capital Outlay	14,566	14,566
Principal Retirement		
Interest and Fiscal Charges		
<b>Total Expenses</b>	<u><u>\$200,561</u></u>	<u><u>\$113,415</u></u>

The dependence upon property tax receipts is apparent as over 57% of governmental activities are supported through these general receipts.

**The Government's Funds**

Total governmental funds had receipts of \$261,708.74 and disbursements of \$200,560.55. This excess in receipts has been the result of unused income from the Fire Levy fund and Road levy fund. Because these two funds have received considerable more receipts than has disbursed, this has allowed the Township to remain in good standing financially. However, the General fund receipts were less than disbursements by \$2,224.83. This has resulted in increased costs for salaries and benefits and not achieving anticipated growth in property tax receipts.

**General Fund Budgeting Highlights**

Franklin 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. The most significant budgeted fund is the General fund.

**Franklin Township, Morrow County, Ohio**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**  
**Unaudited**

During 2005, Franklin Township amended its General budget to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$98,427.56 while actual disbursements were \$63,724.19. Although receipts failed to live up to expectations, appropriations were not reduced.

**Debt**

In 2005, Franklin Township does not have nor has acquired any debt.

**Current Issues**

The challenge for all governments 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. In 2006, we will continue to control any unnecessary spending in the General fund since this fund is the most effected by local taxes. However, due to the Road levy funds available and the increase in Gas Tax Funds the township will continue to improve the Township's roads and ditches.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government'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 Faith Kunze, Fiscal Officer, Franklin Township, (419-947-6898), 5107 Twp Rd 117, Mt. Gilead, Ohio 43338.

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
STATEMENT OF NET ASSETS – MODIFIED CASH BASIS  
DECEMBER 31, 2005**

	<u><b>GOVERNMENTAL ACTIVITIES</b></u>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>253,037</u>
<b>TOTAL ASSETS</b>	<u>\$ 253,037</u>
<b>NET ASSETS</b>	
Restricted For:	
Other Purposes	\$ 224,152
Unrestricted	<u>28,885</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 253,037</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u>
		<u>Charges for</u> <u>Services and</u> <u>Sales</u>	<u>Operating</u> <u>Grants &amp;</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 64,194	\$ 0	\$ 0	\$ (64,194)
Public Works	116,640	0	87,146	(29,494)
Health	5,161	0	0	(5,161)
Capital Outlay	<u>14,566</u>	<u>0</u>	<u>0</u>	<u>(14,566)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 200,561</u>	<u>\$ 0</u>	<u>\$ 87,146</u>	(113,415)
<b>GENERAL RECEIPTS</b>				
Property Taxes				133,768
Other Taxes				6,975
Grants and Entitlements not Restricted to Specific Programs				29,064
Earnings on Investment				2,782
Miscellaneous				<u>1,974</u>
<b>TOTAL GENERAL RECEIPTS</b>				<u>174,563</u>
Change in Net Assets				61,148
Net Assets, Beginning of Year				<u>191,889</u>
Net Assets, End of Year				<u>\$ 253,037</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

<b>Assets</b>	<b><u>General</u></b>	<b><u>Gasoline Tax</u></b>	<b><u>Fire Levy</u></b>	<b><u>Road Levy</u></b>	<b><u>Other Governmental Funds</u></b>	<b><u>Total</u></b>
Equity in Pooled Cash and Cash Equivalents	\$ 28,885	\$ 45,009	\$ 135,494	\$ 31,492	\$ 12,157	\$ 253,037
<b>Total Assets</b>	<b><u>\$ 28,885</u></b>	<b><u>\$ 45,009</u></b>	<b><u>\$ 135,494</u></b>	<b><u>\$ 31,492</u></b>	<b><u>\$ 12,157</u></b>	<b><u>\$ 253,037</u></b>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), reported in:						
General Fund	\$ 28,885	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,885
Special Revenue Funds	<u>0</u>	<u>45,009</u>	<u>135,494</u>	<u>31,492</u>	<u>12,157</u>	<u>224,152</u>
<b>Total Fund Balances</b>	<b><u>\$ 28,885</u></b>	<b><u>\$ 45,009</u></b>	<b><u>\$ 135,494</u></b>	<b><u>\$ 31,492</u></b>	<b><u>\$ 12,157</u></b>	<b><u>\$ 253,037</u></b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire Levy</u>	<u>Road Levy</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Receipts</b>						
Property and Other Local Taxes	\$ 40,272	\$ 0	\$ 34,167	\$ 59,170	\$ 7,134	\$ 140,743
Intergovernmental	16,954	77,233	4,084	7,165	10,774	116,210
Earnings on Investment	2,299	407	0	0	76	2,782
Miscellaneous	<u>1,974</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,974</u>
<b>Total Receipts</b>	61,499	77,640	38,251	66,335	17,984	261,709
<b>Disbursements</b>						
Current:						
General Government	57,225	0	840	5,953	176	64,194
Public Works	1,222	72,876	0	28,890	13,652	116,640
Health	5,161	0	0	0	0	5,161
Capital Outlay	<u>116</u>	<u>0</u>	<u>14,450</u>	<u>0</u>	<u>0</u>	<u>14,566</u>
<b>Total Disbursements</b>	<u>63,724</u>	<u>72,876</u>	<u>15,290</u>	<u>34,843</u>	<u>13,828</u>	<u>200,561</u>
<b>Net Change in Fund Balances</b>	(2,225)	4,764	22,961	31,492	4,156	61,148
<b>Fund Balances, Beginning of Year</b>	<u>31,110</u>	<u>40,245</u>	<u>112,533</u>	<u>0</u>	<u>8,001</u>	<u>191,889</u>
<b>Fund Balances, End of Year</b>	<u>\$ 28,885</u>	<u>\$ 45,009</u>	<u>\$ 135,494</u>	<u>\$ 31,492</u>	<u>\$ 12,157</u>	<u>\$ 253,037</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budget amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 36,700	40,272	\$ 40,272	\$ 0
Intergovernmental	23,865	16,954	16,954	0
Earnings on Investment	1,000	2,299	2,299	0
Miscellaneous	<u>3,100</u>	<u>1,974</u>	<u>1,974</u>	<u>0</u>
<b>Total Receipts</b>	64,665	61,499	61,499	0
 <b>Disbursements</b>				
Current:				
General Government	74,382	74,532	57,225	17,307
Public Works	15,045	14,895	1,222	13,673
Health	7,175	7,175	5,161	2,014
Capital Outlay	<u>1,825</u>	<u>1,825</u>	<u>116</u>	<u>1,709</u>
<b>Total Disbursements</b>	<u>98,427</u>	<u>78,427</u>	<u>63,724</u>	<u>34,703</u>
 <b>Net Change in Fund Balance</b>	(33,762)	(36,928)	(2,225)	34,703
 <b>Fund Balance, Beginning of Year</b>	<u>33,762</u>	<u>33,762</u>	<u>31,110</u>	<u>2,652</u>
 <b>Fund Balance, End of Year</b>	<u>\$ 0</u>	<u>\$ (3,166)</u>	<u>\$ 28,885</u>	<u>\$ 32,051</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budget amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Receipts</b>				<u>Positive(Negative)</u>
Intergovernmental	\$ 75,000	77,233	\$ 77,233	\$ 0
Earnings on Investment	<u>125</u>	<u>407</u>	<u>407</u>	<u>0</u>
<b>Total Receipts</b>	75,125	77,640	77,640	0
<b>Disbursements</b>				
Current:				
Public Works	112,370	112,370	72,876	39,494
Capital Outlay	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>3,000</u>
<b>Total Disbursements</b>	<u>115,370</u>	<u>115,370</u>	<u>72,876</u>	<u>42,494</u>
<b>Net Change in Fund Balance</b>	(40,245)	(37,730)	4,764	42,494
<b>Fund Balance, Beginning of Year</b>	<u>40,245</u>	<u>40,245</u>	<u>40,245</u>	<u>0</u>
<b>Fund Balance, End of Year</b>	<u>\$ 0</u>	<u>\$ 2,515</u>	<u>\$ 45,009</u>	<u>\$ 42,494</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
FIRE LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budget amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive(Negative)</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$ 34,400	34,167	\$ 34,167	\$ 0
Intergovernmental	<u>2,500</u>	<u>4,084</u>	<u>4,084</u>	<u>0</u>
<b>Total Receipts</b>	36,900	38,251	38,251	0
<b>Disbursements</b>				
Current:				
General Government	2,000	2,000	840	1,160
Public Works	20,000	20,000	0	20,000
Capital Outlay	<u>125,241</u>	<u>125,241</u>	<u>14,450</u>	<u>110,791</u>
<b>Total Disbursements</b>	<u>147,241</u>	<u>147,241</u>	<u>15,290</u>	<u>131,951</u>
<b>Net Change in Fund Balances</b>	(110,341)	(108,990)	22,961	131,951
<b>Fund Balance, Beginning of Year</b>	<u>110,341</u>	<u>110,341</u>	<u>112,533</u>	<u>2,192</u>
<b>Fund Balance, End of Year</b>	<u>\$ 0</u>	<u>\$ 1,351</u>	<u>\$ 135,494</u>	<u>\$134,143</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budget amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Receipts</b>				<u>Positive(Negative)</u>
Property and Other Local Taxes	\$ 63,000	59,170	\$ 59,170	\$ 0
Intergovernmental	<u>1,000</u>	<u>7,165</u>	<u>7,165</u>	<u>0</u>
<b>Total Receipts</b>	64,000	66,335	66,335	0
<b>Disbursements</b>				
Current:				
General Government	12,000	12,000	5,953	6,047
Public Works	<u>52,000</u>	<u>52,000</u>	<u>28,890</u>	<u>23,110</u>
<b>Total Disbursements</b>	<u>64,000</u>	<u>64,000</u>	<u>34,843</u>	<u>29,157</u>
<b>Net Change in Fund Balances</b>	0	2,335	31,492	29,157
<b>Fund Balance, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance, End of Year</b>	<u>\$ 0</u>	<u>\$ 2,335</u>	<u>\$ 31,492</u>	<u>\$ 29,157</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**Note 1 – Description of the Township and Reporting Entity**

Franklin Township, Morrow County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Clerk.

**Reporting Entity**

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Mount Gilead Fire Department and Perry-Congress Joint Fire District for fire protection.

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, 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 modified 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 nonexchange transactions.

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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

A. Basis of Presentation (continued)

Government-Wide Financial Statements (Continued)

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 and business-type 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 is self-financing on a modified cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial 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. The funds of the Township are divided into three categories, governmental, proprietary and fiduciary. However, the Township did not have any proprietary and fiduciary funds in 2005.

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 only major governmental 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 – The Gasoline Tax Fund receives state fuel excise taxes to pay for constructing, maintaining, and repairing Township roads.

Fire Levy – The Fire Levy Fund receives property tax monies for providing fire protection within the Township.

Road Levy – The Road Levy Fund receives property tax monies for for constructing, maintaining, and repairing Township roads and bridges.

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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

B. Fund Accounting (continued)  
Governmental Funds (continued)

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

C. Basis of Accounting

The Township's financial statements are prepared using the modified 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 modified 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, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the object level for all funds.

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. 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.



**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Township invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The Township’s money market fund investment is recorded at the amount reported by Bank One/Chase on December 31, 2005.

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 purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$2,299 and \$483 was credited to other Township funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$224,152 for funds whose use is restricted to special purposes imposed by law through constitutional provisions and enabling legislation (gasoline taxes, motor vehicle licenses, fire and road levies).

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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

**I. 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 8 and 9, the employer contributions include portions for pension benefits and for post retirement health care benefits.

**J. 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. Net assets restricted for other purposes include resources restricted for road and bridge maintenance.

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. Restricted assets represent \$224,152 for funds whose use is restricted to special purposes imposed by law through constitutional provisions and enabling legislation (gasoline taxes, motor vehicle licenses, fire and road levies).

**K. Fund Balance Reserves**

Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – 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 is *(and any major special revenue fund are)* prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the modified cash basis in as much as the Township cancels outstanding year end encumbrances.

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**Note 5 – 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;
3. 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 to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio).

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**Note 5 – 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. Investments may only be made through specified dealers and institutions.

Deposits - At December 31, 2005, the carrying amount of the Township's deposits was \$253,037 and the bank balances was \$261,476. The Township maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, was as follows:

	<u>2005</u>
Demand Deposits	\$ 134,384
Certificates of Deposits	<u>52,802</u>
Total Deposits	<u>187,186</u>
STAROhio	<u>65,851</u>
Total Investments	<u>65,851</u>
Total Deposits & Investments	<u>\$ 253,037</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool. STAR Ohio carries a rating of AAAM by Standard and Poor's.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**Note 6 – Property Taxes** (continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$5.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$ 20,881,330
Agriculture	6,237,910
Commercial/Industrial/Mineral	1,672,110
Public Utility Property	
Real	0
Personal	1,554,010
Tangible Personal Property	153,480
Total Assessed Value	<u>\$ 30,498,840</u>

**Note 7 – Risk Management**

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

Legal Liability	\$ 2,000,000	Per Occurrence
Automobile Liability	2,000,000	Per Occurrence
Law Enforcement Operations	N/A	Per Occurrence
Wrongful Acts	2,000,000	Per Occurrence
Property	285,700	Total Coverage
Electronic Data Processing	4,600	Total Coverage

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.

**Note 8 – 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  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**Note 8 – Defined Benefit Pension Plan** (continued)

Ohio Public Employees Retirement System (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 year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent. 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 year ended December 31, 2005 was \$7,859. The full amount has been contributed for 2005.

**Note 9 - Postemployment 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 Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**Note 9 - Postemployment Benefits** (continued)

Ohio Public Employees Retirement System (continued)

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$7,859. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 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. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to health care.

# Whited Seigneur Sams & Rahe, LLP

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April 17, 2006

Board of Trustees  
Franklin Township  
Morrow County  
5380 State Route 95  
Mount Gilead, OH 43338

## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Morrow County, Ohio (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated April 17, 2006, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



This report is intended for the information and use of management and Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**FRANKLIN TOWNSHIP  
MORROW COUNTY, OHIO  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

There were no findings for the year ended December 31, 2005.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
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Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**FRANKLIN TOWNSHIP**

**MORROW 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  
AUGUST 15, 2006**