



Mary Taylor, CPA  
Auditor of State



FRANKLIN TOWNSHIP  
WARREN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17

**This page intentionally left blank.**



**Mary Taylor, CPA**  
Auditor of State

Franklin Township  
Warren County  
P.O. Box 364  
Franklin, Ohio 45005

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 3, 2007

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Franklin Township  
Warren County  
P.O. Box 364  
Franklin, Ohio 45005

To the Board of Trustees:

We have audited the accompanying financial statements of Franklin Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

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

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 3, 2007



**FRANKLIN TOWNSHIP  
WARREN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$381,080	\$397,560	\$0	\$0	\$778,640
Licenses, Permits, and Fees	0	53,287	0	0	53,287
Intergovernmental	189,305	169,692	126,290	0	485,287
Special Assessments	0	26,101	0	0	26,101
Earnings on Investments	47,014	4,729	0	530	52,273
Miscellaneous	103,387	53,700	20,000	0	177,087
<b>Total Cash Receipts</b>	<b>720,786</b>	<b>705,069</b>	<b>146,290</b>	<b>530</b>	<b>1,572,675</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	376,093	0	0	0	376,093
Public Safety	58,681	165,163	0	0	223,844
Public Works	142,246	389,259	0	0	531,505
Health	40,378	120,167	0	0	160,545
Human Services	0	37,919	0	0	37,919
Conservation - Recreation	60,033	0	0	0	60,033
Capital Outlay	131,705	5,213	146,290	0	283,208
<b>Total Cash Disbursements</b>	<b>809,136</b>	<b>717,721</b>	<b>146,290</b>	<b>0</b>	<b>1,673,147</b>
Total Receipts Over/(Under) Disbursements	(88,350)	(12,652)	0	530	(100,472)
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In	0	30,000	0	0	30,000
Transfers-Out	(30,000)	0	0	0	(30,000)
Advances-In	68,114	23,000	45,114	0	136,228
Advances-Out	(68,114)	(23,000)	(45,114)	0	(136,228)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(30,000)</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(118,350)	17,348	0	530	(100,472)
Fund Cash Balances, January 1	857,877	352,111	0	51,743	1,261,731
<b>Fund Cash Balances, December 31</b>	<b>\$739,527</b>	<b>\$369,459</b>	<b>\$0</b>	<b>\$52,273</b>	<b>\$1,161,259</b>
Reserve for Encumbrances, December 31	\$8,736	\$1,933	\$0	\$0	\$10,669

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

**FRANKLIN TOWNSHIP  
WARREN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$388,419	\$369,054	\$0	\$0	\$757,473
Licenses, Permits, and Fees	0	67,240	0	0	67,240
Intergovernmental	311,809	202,316	83,400	0	597,525
Special Assessments	0	21,658	0	0	21,658
Earnings on Investments	26,420	1,586	0	436	28,442
Miscellaneous	114,534	57,613	16,392	0	188,539
<b>Total Cash Receipts</b>	<b>841,182</b>	<b>719,467</b>	<b>99,792</b>	<b>436</b>	<b>1,660,877</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	347,254	0	0	0	347,254
Public Safety	22,562	164,088	0	0	186,650
Public Works	89,756	352,418	0	0	442,174
Health	29,552	130,958	0	0	160,510
Human Services	0	30,554	0	0	30,554
Conservation - Recreation	57,229	0	0	0	57,229
Capital Outlay	91,103	8,694	99,792	0	199,589
<b>Total Cash Disbursements</b>	<b>637,456</b>	<b>686,712</b>	<b>99,792</b>	<b>0</b>	<b>1,423,960</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>203,726</b>	<b>32,755</b>	<b>0</b>	<b>436</b>	<b>236,917</b>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In	0	38,000	0	0	38,000
Transfers-Out	(38,000)	0	0	0	(38,000)
Advances-In	5,000	5,000	0	0	10,000
Advances-Out	(5,000)	(5,000)	0	0	(10,000)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(38,000)</b>	<b>38,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>165,726</b>	<b>70,755</b>	<b>0</b>	<b>436</b>	<b>236,917</b>
<b>Fund Cash Balances, January 1</b>	<b>692,151</b>	<b>281,356</b>	<b>0</b>	<b>51,307</b>	<b>1,024,814</b>
<b>Fund Cash Balances, December 31</b>	<b><u>\$857,877</u></b>	<b><u>\$352,111</u></b>	<b><u>\$0</u></b>	<b><u>\$51,743</u></b>	<b><u>\$1,261,731</u></b>
<b>Reserve for Encumbrances, December 31</b>	<b><u>\$125,710</u></b>	<b><u>\$44,620</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$170,330</u></b>

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

**FRANKLIN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Franklin Township, Warren County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection.

The Township participates in two joint ventures and one jointly governed organization. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Joint Ventures:

The Township is involved in a joint recreation facility owned by the City of Franklin and Franklin Township.

The Township is involved in a Hazardous Material Response Team whose purpose is to provide hazardous materials response protection and assistance.

Jointly Governed Organization:

The Joint Emergency Medical Service (JEMS), is a jointly governed organization, which provides ambulance services to the City of Franklin, City of Carlisle and Franklin Township. Each of the three political subdivisions appoint one member of the three member board of trustees. JEMS owns and operates assets in its own name. JEMS has authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the District, charges for services and a tax levy.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit and U.S. Savings bonds at cost. STAR Ohio is recorded at share values the mutual funds report.

**FRANKLIN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

Cemetery Fund - This fund receives proceeds from the sale of cemetery lots and burial fees for the maintenance of cemeteries.

Fire District Fund - This fund receives proceeds from the proprietary tax fire levy for fire protection.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

LOEB Foundation Grant – This fund is used to record the related receipts and expenditures of benefits received from the local grant for fire equipment.

CDBG Grant – This fund is used to record the related receipts and expenditures of benefits received from the Warren County's CDBG grant for road projects.

Ohio Department of Natural Resources Fund – This fund is used to record the related receipts and expenditures of benefits received from the Ohio Department of Natural Resources grant for the Hunter Pond project.

**4. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Bequest Funds – These funds are used to account for the funds bequeathed to the Township for cemetery care.

**FRANKLIN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**FRANKLIN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. Equity in Pooled Cash and Investments**

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

	2006	2005
Demand deposits	\$514,645	\$642,016
Savings accounts	40,460	40,159
Certificates of deposit	118,337	114,387
Total deposits	673,442	796,562
STAR Ohio	485,817	463,169
U.S. savings bonds	2,000	2,000
Total investments	487,817	465,169
Total deposits and investments	\$1,161,259	\$1,261,731

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. Budgetary Activity**

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

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$718,384	\$720,786	\$2,402
Special Revenue	733,398	735,069	1,671
Capital Projects	146,289	146,290	1
Permanent	530	530	0
Total	\$1,598,601	\$1,602,675	\$4,074

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,498,960	\$847,872	\$651,088
Special Revenue	974,502	719,654	254,848
Capital Projects	152,614	146,290	6,324
Permanent	1,400	0	1,400
Total	\$2,627,476	\$1,713,816	\$913,660

**FRANKLIN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$840,943	\$841,182	\$239
Special Revenue	745,470	757,467	11,997
Capital Projects	99,792	99,792	0
Permanent	397	436	39
Total	\$1,686,602	\$1,698,877	\$12,275

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,323,147	\$801,166	\$521,981
Special Revenue	911,900	731,332	180,568
Capital Projects	99,792	99,792	0
Permanent	0	0	0
Total	\$2,334,839	\$1,632,290	\$702,549

The budgetary activity reflected above does not include advances.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. Retirement Systems**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**FRANKLIN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. Risk Management**

**Risk Pool Membership**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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



**FRANKLIN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. Risk Management (Continued)**

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$67,858. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<b><u>Contributions to OTARMA</u></b>	
2004	\$27,857
2005	\$27,330
2006	\$33,929

**FRANKLIN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. Risk Management (Continued)**

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

**7. Joint Ventures**

The Township is involved in a joint venture pertaining to a joint recreation facility owned by the City of Franklin and Franklin Township. The facility is managed by a board of ten trustees, five appointed by each of the participating governments.

The Township is also involved in a joint venture pertaining to a Hazardous Material Response Team whose purpose is to provide hazardous materials response protection and assistance. The team is managed by a board of four trustees, one each from the cities of Franklin and Lebanon and the Townships of Clearcreek and Franklin.

**8. Jointly Governed Organizations**

The Joint Emergency Medical Service (JEMS), is a jointly governed organization, which provides ambulance services to the City of Franklin, City of Carlisle and Franklin Township. Each of the three political subdivisions appoint one member of the three member board of trustees. JEMS owns and operates assets in its own name. JEMS has authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the District, charges for services and a tax levy.

**9. Noncompliance: Significant Deficiency**

Not all receipts and disbursements were posted properly requiring audit adjustments that were made by the Township ledgers and in the accompanying financial statements.



# Mary Taylor, CPA

Auditor of State

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

Franklin Township  
Warren County  
P.O. Box 364  
Franklin, Ohio 45005

To the Township Board of Trustees:

We have audited the financial statements of Franklin Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 3, 2007 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 3, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 3, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

October 3, 2007

**FRANKLIN TOWNSHIP  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Material Noncompliance/Significant Deficiency**

**Ohio Rev. Code, Section 5705.10**, requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The Township agreed with these adjustments and they were made to the Township's ledgers and in the accompanying financial statements.

<b>2006</b>		
Tax Receipts were posted incorrectly	Motor Vehicle License Tax Fund: Intergovernmental - (\$5,370)	Permissive Motor Vehicle Tax Fund: Taxes - \$5,370
<b>2005</b>		
Tax Receipts were posted incorrectly	General Fund: Miscellaneous - (\$12,183)	General Fund: Taxes - \$12,183
Intergovernmental Receipts were posted incorrectly	Road & Bridge Fund: Miscellaneous - (\$13,326)	Road & Bridge Fund: Intergovernmental - \$13,326
Intergovernmental Receipts were posted incorrectly	Motor Vehicle License Tax Fund: Miscellaneous - (\$5,091)	Motor Vehicle License Tax Fund: Intergovernmental - \$5,091
Intergovernmental Receipts were posted incorrectly	Road & Bridge Fund: Miscellaneous - (\$3,145)	Road & Bridge Fund: Intergovernmental - \$3,145
Intergovernmental Receipts were posted incorrectly	Fire Fund: Taxes - (\$1,236)	Fire Fund: Intergovernmental - \$1,236
Intergovernmental Receipts were posted incorrectly	General Fund: Miscellaneous - (\$755)	General Fund: Intergovernmental - \$755
Intergovernmental Receipts were posted incorrectly	Road & Bridge Fund: Taxes - (\$569)	Road & Bridge Fund: Intergovernmental - \$569
Intergovernmental Receipts were posted incorrectly	General Fund: Taxes - (\$433)	General Fund: Intergovernmental - \$433
Intergovernmental Receipts were posted incorrectly	Motor Vehicle License Tax Fund : Miscellaneous - (\$363)	Motor Vehicle License Tax Fund: Intergovernmental - \$363
Intergovernmental Receipts were posted incorrectly	Fire Fund: Miscellaneous - (\$319)	Fire Fund: Intergovernmental - \$319
Intergovernmental Receipts were posted incorrectly	Permissive Motor Vehicle Tax Fund: Miscellaneous - (\$134)	Permissive Motor Vehicle Tax Fund: Intergovernmental - \$134
Miscellaneous Receipts were posted incorrectly	Gasoline Tax Fund: Intergovernmental - (\$338)	Gasoline Tax Fund: Miscellaneous - \$338
Public Works Disbursements were posted incorrectly	FEMA Grant Fund: Transfers Out - (\$19,626)	FEMA Grant Fund: Public Works - \$19,626

**FINDING NUMBER 2006-001  
(Continued)**

Failure to properly record all transactions reduces internal control over receipts and disbursements and increases transactions reduces internal control over receipts and disbursements and increases the probability of misappropriation, errors or loss of public funds not being detected in a timely manner. To improve internal control and accountability we recommend that the Clerk refer to the *Ohio Township Handbook* appendix, and the Uniform Accounting Network Accounting Manual. Trustees should also review records periodically to ensure that receipts and disbursements are being properly posted.

**Officials' Response:**

We did not receive a response from Officials to these findings.



**Mary Taylor, CPA**  
Auditor of State

**FRANKLIN TOWNSHIP**

**WARREN 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  
NOVEMBER 8, 2007**