



**FRANKLIN TOWNSHIP
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

**FRANKLIN TOWNSHIP
MORROW COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Franklin Township
Morrow County
5107 Township Road 117
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Morrow County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the 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 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, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Fire Levy and Road Levy Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

July 31, 2008

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

This discussion and analysis of the Franklin Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007 and 2006, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities increased by \$60,411, or 20 percent from the prior year. The funds responsible for this increase lie mostly with the Fire Levy Fund which increased by 15% and the General fund which increased by 82%.

The Township's general receipts are primarily property taxes. These receipts represent respectively 49% of the total cash received for governmental activities during the year. Property tax receipts for 2007 increased by 4% from 2006. The Gas Tax Fund also provides for 30% for the total cash receipts for 2007.

Key highlights for 2006 are as follows:

Net assets of governmental activities increased by \$38,614, or 15% from the prior year. The funds responsible for this increase lie mostly with the Fire Levy Fund which increased by 17% and the Road Levy Fund which increased by 26%.

The Township's general receipts are primarily property taxes. These receipts represent respectively 52% of the total cash received for governmental activities during the year. Property tax receipts for 2006 increased by 6% from 2005. The Gas Tax Fund also provides for 30% for the total cash receipts for 2006.

Using the Basic Financial Statements

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

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Township into governmental activities:

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

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General, Gasoline Tax, Fire Levy, and Road Levy Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Government as a Whole

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

(Table 1)

Net Assets

| | Governmental Activities | | |
|---------------------------|-------------------------|-----------|-----------|
| | 2007 | 2006 | 2005 |
| Assets | | | |
| Cash and Cash Equivalents | \$352,062 | \$291,651 | \$253,037 |
| Total Assets | \$352,062 | \$291,651 | \$253,037 |
| Net Assets | | | |
| Restricted for: | | | |
| Other Purposes | 304,228 | 265,370 | 224,152 |
| Unrestricted | 47,834 | 26,282 | 28,885 |
| Total Net Assets | \$352,062 | \$291,652 | \$253,037 |

As mentioned previously, net assets of governmental activities increased 20% from 2006 and by 15% from 2005. The Township also received \$63,297 in 2007 and \$60,480 in 2006 for the road levy passed 2004. This income has allowed the Township to black top one of the key roads in the Township, as well as, repairing numerous roads, ditches, and culverts. Other accomplishments of the Township have been routine road maintenance and dust control. In addition, the Township purchased a 1993 Backhoe which required the Township to pay \$8,500 down and obtain a note for \$16,300 with a 5.599% interest rate. The combined increase in property taxes, gas tax and the road levy funds have allowed the Township's finances to remain in good standing.

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006 for governmental activities.

| | Governmental Activities | | |
|--|----------------------------|-------------------------|-------------------------|
| | 2007 | 2006 | 2005 |
| Receipts: | | | |
| Program Receipts: | | | |
| Operating Grants and Contributions | 93,335 | 95,897 | 87,146 |
| Total Program Receipts | <u>93,335</u> | <u>95,897</u> | <u>87,146</u> |
| General Receipts: | | | |
| Property and Other Local Taxes | 154,938 | 149,158 | 140,743 |
| Grants and Entitlements Not Restricted to Specific Programs | 43,872 | 30,320 | 29,064 |
| Other Debt Proceeds | 0 | 16,300 | 0 |
| Interest | 11,783 | 6,297 | 2,782 |
| Miscellaneous | 9,937 | 3,352 | 1,974 |
| Total General Receipts | <u>220,530</u> | <u>205,427</u> | <u>174,563</u> |
| Total Receipts | <u>313,865</u> | <u>301,324</u> | <u>261,709</u> |
| Disbursements: | | | |
| General Government | 62,985 | 66,148 | 64,194 |
| Public Works | 161,757 | 155,029 | 116,640 |
| Public Health Services | 3,688 | 4,798 | 5,161 |
| Capital Outlay | 16,183 | 36,735 | 14,566 |
| Principal Retirement | 7,928 | 0 | 0 |
| Interest and Fiscal Charges | 913 | 0 | 0 |
| Total Disbursements | <u>253,454</u> | <u>262,710</u> | <u>200,561</u> |
| Increase in Net Assets | 60,411 | 38,614 | 61,148 |
| Net Assets, January | <u>291,651</u> | <u>253,037</u> | <u>191,889</u> |
| Net Assets, December | <u><u>\$352,062</u></u> | <u><u>\$291,651</u></u> | <u><u>\$253,037</u></u> |

Program receipts represent only 30% in 2007 and 32% in 2006 of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 70% in 2007 and 68% in 2006 of the Township's total receipts, and of this amount, over 70% in 2007 and 73% in 2006 are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (23% in 2007 and 18% in 2006). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include payroll and purchasing.

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government which accounts for 25% in 2007 and 25% in 2006 and Public Works which represents a significant cost of 64% in 2007 and 59% in 2006 of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

| | Governmental Activities | | | | | |
|-----------------------------|--------------------------------|-------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| | 2007 | 2007 | 2006 | 2006 | 2005 | 2005 |
| General Government | \$62,985 | \$62,985 | \$66,148 | \$66,148 | \$64,194 | \$64,194 |
| Public Works | \$161,757 | \$68,422 | \$155,029 | \$59,131 | 116,640 | 29,494 |
| Public Health Services | 3,688 | 3,688 | 4,798 | 4,798 | 5,161 | 5,161 |
| Capital Outlay | 16,183 | 16,183 | 36,735 | 36,735 | 14,566 | 14,566 |
| Principal Retirement | 7,928 | 7,928 | 0 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 913 | 913 | 0 | 0 | 0 | 0 |
| Total Expenses | \$253,454 | \$160,119 | \$262,710 | \$166,812 | \$200,561 | \$113,415 |

The dependence upon property tax receipts is apparent as 63% in 2007 and 63% in 2006 of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$313,864 in 2007 and \$301,324 in 2006 and disbursements of \$253,454 in 2007 and \$262,710 in 2006. This excess in 2007 receipts has been the result of unused income from the Fire Levy and Gas Tax Funds. Because these two funds have received considerable more receipts than was disbursed, this has allowed the Township to remain in good standing financially. Also the General Fund received a large sum from Estate Taxes this year which has increased the General Fund considerable. This excess in 2006 receipts has been the result of unused income from the Fire Levy and Road Levy Funds. Because these two funds have received in 2006 considerable more receipts than was disbursed, this has allowed the Township to remain in good standing financially. However, the General Fund receipts were less than disbursements by \$2,603.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

During 2007, the Township amended its General Fund budget to reflect changing circumstances and an increase in estate tax received. Final budgeted receipts were above original budgeted receipts due to unknown growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

During 2006, the Township amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unknown growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$97,032 in 2007 and \$92,788 in 2006 while actual disbursements were \$69,843 in 2007 and \$75,370 in 2006. Although receipts exceeded expectations due to unknown tax receipts, appropriations were not changed. The Township kept spending close to budgeted amounts.

Debt

Debt

At December 31, 2007, the Township's outstanding debt was \$8,372 for a remaining one year note for a 1993 Backhoe.

For further information regarding the Township's debt, refer to Note 9 to the basic financial statements.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. In 2008, 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 Fund's available and the increase in the Gas Tax Fund the Township will continue to improve the Township's roads and ditches.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Faith Kunze, Fiscal Officer, Franklin Township, 419-947-6898, 5107 Twp Rd 117, Mount Gilead, Ohio, 43338.

FRANKLIN TOWNSHIP, MORROW COUNTY

Statement of Net Assets - Cash Basis

December 31, 2007

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$352,062.25 |
| <i>Total Assets</i> | <u><u>\$352,062.25</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Other Purposes | 304,227.67 |
| Unrestricted | 47,834.58 |
| <i>Total Net Assets</i> | <u><u>\$352,062.25</u></u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2007*

| | Cash Disbursements | Operating Grants and Contributions | Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities |
|--|-----------------------|--|---|
| Governmental Activities | | | |
| General Government | \$62,985.33 | \$0.00 | (\$62,985.33) |
| Public Works | 161,757.37 | 93,334.91 | (68,422.46) |
| Health | 3,687.99 | 0.00 | (3,687.99) |
| Capital Outlay | 16,182.50 | 0.00 | (16,182.50) |
| Debt Service: | | | 0.00 |
| Principal | 7,928.05 | 0.00 | (7,928.05) |
| Interest | 912.64 | 0.00 | (912.64) |
| <i>Total Primary Government</i> | <u>\$253,453.88</u> | <u>\$93,334.91</u> | (160,118.97) |
| General Receipts | | | |
| Property Taxes Levied for: | | | |
| General Operating | | | 46,541.52 |
| Fire Levy | | | 36,534.12 |
| Road Levy | | | 63,297.08 |
| Road and Bridge | | | 8,565.33 |
| Grants and Entitlements not Restricted to Sp | | | 43,871.86 |
| Earnings on Investments | | | 11,782.95 |
| Miscellaneous | | | 9,936.87 |
| <i>Total General Receipts</i> | | | <u>220,529.73</u> |
| Change in Net Assets | | | 60,410.76 |
| <i>Net Assets Beginning of Year</i> | | | <u>291,651.49</u> |
| <i>Net Assets End of Year</i> | | | <u>\$352,062.25</u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

| | GENERAL | GASOLINE TAX | FIRE LEVY | ROAD LEVY | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|--------------------|--------------------|---------------------|--------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$47,834.58 | \$56,001.71 | \$181,550.71 | \$40,936.97 | \$25,738.28 | \$352,062.25 |
| <i>Total Assets</i> | <u>\$47,834.58</u> | <u>\$56,001.71</u> | <u>\$181,550.71</u> | <u>\$40,936.97</u> | <u>\$25,738.28</u> | <u>\$352,062.25</u> |
| Fund Balances | | | | | | |
| Unreserved: | | | | | | |
| Undesignated (Deficit), Reported in: | | | | | | |
| General Fund | \$47,834.58 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$47,834.58 |
| Special Revenue Funds | 0.00 | 56,001.71 | 181,550.71 | 40,936.97 | 25,738.28 | 304,227.67 |
| <i>Total Fund Balances</i> | <u>\$47,834.58</u> | <u>\$56,001.71</u> | <u>\$181,550.71</u> | <u>\$40,936.97</u> | <u>\$25,738.28</u> | <u>\$352,062.25</u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

| | GENERAL | GASOLINE TAX | FIRE LEVY | ROAD LEVY | OTHER GOVERNMENTAL FUNDS | TOTAL |
|---------------------------------------|--------------------|--------------------|---------------------|--------------------|--------------------------------|---------------------|
| Receipts | | | | | | |
| Property and Other Local Taxes | \$46,541.52 | \$0.00 | \$36,534.12 | \$63,297.08 | \$8,565.33 | \$154,938.05 |
| Intergovernmental | 31,976.24 | 83,787.21 | 3,902.07 | 7,033.40 | 10,507.85 | 137,206.77 |
| Earnings on Investments | 9,520.82 | 1,956.24 | 0.00 | 0.00 | 305.89 | 11,782.95 |
| Miscellaneous | 3,356.87 | 6,580.00 | 0.00 | 0.00 | 0.00 | 9,936.87 |
| Total Receipts | <u>91,395.45</u> | <u>92,323.45</u> | <u>40,436.19</u> | <u>70,330.48</u> | <u>19,379.07</u> | <u>313,864.64</u> |
| Disbursements | | | | | | |
| Current: | | | | | | |
| General Government | 60,083.11 | 0.00 | 976.73 | 1,697.16 | 228.33 | 62,985.33 |
| Public Works | 6,071.63 | 76,648.53 | 0.00 | 67,367.14 | 11,670.07 | 161,757.37 |
| Health | 3,687.99 | 0.00 | 0.00 | 0.00 | 0.00 | 3,687.99 |
| Capital Outlay | 0.00 | 0.00 | 16,182.50 | 0.00 | 0.00 | 16,182.50 |
| Debt Service: | | | | | | |
| Principal Retirement | 0.00 | 7,928.05 | 0.00 | 0.00 | 0.00 | 7,928.05 |
| Interest and Fiscal Charges | 0.00 | 912.64 | 0.00 | 0.00 | 0.00 | 912.64 |
| Total Disbursements | <u>69,842.73</u> | <u>85,489.22</u> | <u>17,159.23</u> | <u>69,064.30</u> | <u>11,898.40</u> | <u>253,453.88</u> |
| Excess of Receipts Over Disbursements | <u>21,552.72</u> | <u>6,834.23</u> | <u>23,276.96</u> | <u>1,266.18</u> | <u>7,480.67</u> | <u>60,410.76</u> |
| Net Change in Fund Balances | 21,552.72 | 6,834.23 | 23,276.96 | 1,266.18 | 7,480.67 | 60,410.76 |
| Fund Balances Beginning of Year | <u>26,281.86</u> | <u>49,167.48</u> | <u>158,273.75</u> | <u>39,670.79</u> | <u>18,257.61</u> | <u>291,651.49</u> |
| Fund Balances End of Year | <u>\$47,834.58</u> | <u>\$56,001.71</u> | <u>\$181,550.71</u> | <u>\$40,936.97</u> | <u>\$25,738.28</u> | <u>\$352,062.25</u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 General Fund
 For the Year Ended December 31, 2007*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|-------------|-------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$45,000.00 | \$46,541.52 | \$46,541.52 | \$0.00 |
| Intergovernmental | 17,750.00 | 31,976.24 | 31,976.24 | 0.00 |
| Earnings on Investments | 5,000.00 | 8,927.39 | 9,520.82 | 593.43 |
| Miscellaneous | 3,000.00 | 2,773.02 | 3,356.87 | 583.85 |
| <i>Total receipts</i> | 70,750.00 | 90,218.17 | 91,395.45 | 1,177.28 |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 74,856.86 | 74,856.86 | 60,083.11 | 14,773.75 |
| Public Works | 16,000.00 | 16,000.00 | 6,071.63 | 9,928.37 |
| Health | 5,175.00 | 5,175.00 | 3,687.99 | 1,487.01 |
| Capital Outlay | 1,000.00 | 1,000.00 | 0.00 | 1,000.00 |
| <i>Total Disbursements</i> | 97,031.86 | 97,031.86 | 69,842.73 | 27,189.13 |
| <i>Net Change in Fund Balance</i> | (26,281.86) | (6,813.69) | 21,552.72 | 28,366.41 |
| <i>Fund Balance Beginning of Year</i> | 26,281.86 | 26,281.86 | 26,281.86 | 0.00 |
| <i>Fund Balance End of Year</i> | \$0.00 | \$19,468.17 | \$47,834.58 | \$28,366.41 |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Intergovernmental | \$86,000.00 | \$88,785.24 | \$83,787.21 | (\$4,998.03) |
| Earnings on Investments | 700.00 | 1,840.40 | 1,956.24 | 115.84 |
| Miscellaneous | 0.00 | 6,580.00 | 6,580.00 | 0.00 |
| <i>Total receipts</i> | <u>86,700.00</u> | <u>97,205.64</u> | <u>92,323.45</u> | <u>(4,882.19)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 125,867.48 | 125,867.48 | 76,648.53 | 49,218.95 |
| Capital Outlay | 1,159.31 | 1,159.31 | 0.00 | 1,159.31 |
| Debt Service: | | | | |
| Principal Retirement | 7,928.05 | 7,928.05 | 7,928.05 | 0.00 |
| Interest and Fiscal Charges | 912.64 | 912.64 | 912.64 | 0.00 |
| <i>Total Disbursements</i> | <u>135,867.48</u> | <u>135,867.48</u> | <u>85,489.22</u> | <u>50,378.26</u> |
| <i>Net Change in Fund Balance</i> | (49,167.48) | (38,661.84) | 6,834.23 | 45,496.07 |
| <i>Fund Balance Beginning of Year</i> | <u>49,167.48</u> | <u>49,167.48</u> | <u>49,167.48</u> | <u>0.00</u> |
| <i>Fund Balance End of Year</i> | <u>(\$0.00)</u> | <u>\$10,505.64</u> | <u>\$56,001.71</u> | <u>\$45,496.07</u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Levy Fund
For the Year Ended December 31, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$34,300.00 | \$36,534.12 | \$36,534.12 | \$0.00 |
| Intergovernmental | 4,000.00 | 3,902.07 | 3,902.07 | 0.00 |
| <i>Total receipts</i> | <u>38,300.00</u> | <u>40,436.19</u> | <u>40,436.19</u> | <u>0.00</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 2,000.00 | 2,000.00 | 976.73 | 1,023.27 |
| Public Works | 20,000.00 | 20,000.00 | 0.00 | 20,000.00 |
| Capital Outlay | 174,573.75 | 174,573.75 | 16,182.50 | 158,391.25 |
| <i>Total Disbursements</i> | <u>196,573.75</u> | <u>196,573.75</u> | <u>17,159.23</u> | <u>179,414.52</u> |
| <i>Net Change in Fund Balance</i> | (158,273.75) | (156,137.56) | 23,276.96 | 179,414.52 |
| <i>Fund Balance Beginning of Year</i> | <u>158,273.75</u> | <u>158,273.75</u> | <u>158,273.75</u> | <u>0.00</u> |
| <i>Fund Balance End of Year</i> | <u>\$0.00</u> | <u>\$2,136.19</u> | <u>\$181,550.71</u> | <u>\$179,414.52</u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road Levy Fund
For the Year Ended December 31, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------|-------------------------|-------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$60,600.00 | \$63,297.08 | \$63,297.08 | \$0.00 |
| Intergovernmental | 7,000.00 | 7,033.40 | 7,033.40 | 0.00 |
| <i>Total receipts</i> | <u>67,600.00</u> | <u>70,330.48</u> | <u>70,330.48</u> | <u>0.00</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 12,000.00 | 12,000.00 | 1,697.16 | 10,302.84 |
| Public Works | 95,270.79 | 95,270.79 | 67,367.14 | 27,903.65 |
| <i>Total Disbursements</i> | <u>107,270.79</u> | <u>107,270.79</u> | <u>69,064.30</u> | <u>38,206.49</u> |
| <i>Net Change in Fund Balance</i> | (39,670.79) | (36,940.31) | 1,266.18 | 38,206.49 |
| <i>Fund Balance Beginning of Year</i> | <u>39,670.79</u> | <u>39,670.79</u> | <u>39,670.79</u> | <u>0.00</u> |
| <i>Fund Balance End of Year</i> | <u>\$0.00</u> | <u>\$2,730.48</u> | <u>\$40,936.97</u> | <u>\$38,206.49</u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY

Statement of Net Assets - Cash Basis

December 31, 2006

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$291,651.49 |
| <i>Total Assets</i> | <u><u>\$291,651.49</u></u> |
| | |
| Net Assets | |
| Other Purposes | 265,369.63 |
| Unrestricted | 26,281.86 |
| <i>Total Net Assets</i> | <u><u>\$291,651.49</u></u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY

Statement of Activities - Cash Basis

For the Year Ended December 31, 2006

| | Cash Disbursements | Operating Grants and Contributions | Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities |
|--|-----------------------|--|---|
| Governmental Activities | | | |
| General Government | \$66,147.71 | \$0.00 | (\$66,147.71) |
| Public Works | 155,028.96 | 95,897.71 | (59,131.25) |
| Health | 4,798.46 | 0.00 | (4,798.46) |
| Capital Outlay | 36,734.86 | 0.00 | (36,734.86) |
| <i>Total Primary Government</i> | <u>\$262,709.99</u> | <u>\$95,897.71</u> | <u>(166,812.28)</u> |
| General Receipts | | | |
| Property Taxes Levied for: | | | |
| General Operating | | | 45,594.93 |
| Fire Levy | | | 34,834.60 |
| Road Levy | | | 60,479.57 |
| Road and Bridge | | | 8,248.18 |
| Grants and Entitlements not Restricted to Sp | | | 30,319.67 |
| Other Debt Proceeds | | | 16,300.00 |
| Earnings on Investments | | | 6,297.28 |
| Miscellaneous | | | 3,352.11 |
| <i>Total General Receipts</i> | | | <u>205,426.34</u> |
| Change in Net Assets | | | 38,614.06 |
| <i>Net Assets Beginning of Year</i> | | | <u>253,037.43</u> |
| <i>Net Assets End of Year</i> | | | <u>\$291,651.49</u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

| | GENERAL | GASOLINE TAX | FIRE LEVY | ROAD LEVY | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|--------------------|--------------------|---------------------|--------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$26,281.86 | \$49,167.48 | \$158,273.75 | \$39,670.79 | \$18,257.61 | \$291,651.49 |
| <i>Total Assets</i> | <u>\$26,281.86</u> | <u>\$49,167.48</u> | <u>\$158,273.75</u> | <u>\$39,670.79</u> | <u>\$18,257.61</u> | <u>\$291,651.49</u> |
| Fund Balances | | | | | | |
| Unreserved: | | | | | | |
| Undesignated (Deficit), Reported in: | | | | | | |
| General Fund | \$26,281.86 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$26,281.86 |
| Special Revenue Funds | 0.00 | 49,167.48 | 158,273.75 | 39,670.79 | 18,257.61 | 265,369.63 |
| <i>Total Fund Balances</i> | <u>\$26,281.86</u> | <u>\$49,167.48</u> | <u>\$158,273.75</u> | <u>\$39,670.79</u> | <u>\$18,257.61</u> | <u>\$291,651.49</u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

| | GENERAL | GASOLINE TAX | FIRE LEVY | ROAD LEVY | OTHER GOVERNMENTAL FUNDS | TOTAL |
|---|--------------------|--------------------|---------------------|--------------------|--------------------------------|---------------------|
| Receipts | | | | | | |
| Property and Other Local Taxes | \$45,594.93 | \$0.00 | \$34,834.60 | \$60,479.57 | \$8,248.18 | \$149,157.28 |
| Intergovernmental | 18,175.43 | 86,508.43 | 4,044.23 | 7,141.38 | 10,347.91 | 126,217.38 |
| Earnings on Investments | 5,669.74 | 534.53 | 0.00 | 0.00 | 93.01 | 6,297.28 |
| Miscellaneous | 3,327.00 | 0.00 | 0.00 | 0.00 | 25.11 | 3,352.11 |
| Total Receipts | 72,767.10 | 87,042.96 | 38,878.83 | 67,620.95 | 18,714.21 | 285,024.05 |
| Disbursements | | | | | | |
| Current: | | | | | | |
| General Government | 63,267.53 | 0.00 | 824.68 | 1,860.67 | 194.83 | 66,147.71 |
| Public Works | 6,480.36 | 78,549.12 | 0.00 | 57,580.88 | 12,418.60 | 155,028.96 |
| Health | 4,798.46 | 0.00 | 0.00 | 0.00 | 0.00 | 4,798.46 |
| Capital Outlay | 823.62 | 20,636.24 | 15,275.00 | 0.00 | 0.00 | 36,734.86 |
| Total Disbursements | 75,369.97 | 99,185.36 | 16,099.68 | 59,441.55 | 12,613.43 | 262,709.99 |
| Excess of Receipts Over (Under) Disbursements | (2,602.87) | (12,142.40) | 22,779.15 | 8,179.40 | 6,100.78 | 22,314.06 |
| Other Financing Sources | | | | | | |
| Other Debt Proceeds | 0.00 | 16,300.00 | 0.00 | 0.00 | 0.00 | 16,300.00 |
| Net Change in Fund Balances | (2,602.87) | 4,157.60 | 22,779.15 | 8,179.40 | 6,100.78 | 38,614.06 |
| Fund Balances Beginning of Year | 28,884.73 | 45,009.88 | 135,494.60 | 31,491.39 | 12,156.83 | 253,037.43 |
| Fund Balances End of Year | \$26,281.86 | \$49,167.48 | \$158,273.75 | \$39,670.79 | \$18,257.61 | \$291,651.49 |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|---------------------|-------------------|--------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$39,900.00 | \$45,594.93 | \$45,594.93 | \$0.00 |
| Intergovernmental | 17,050.00 | 18,175.43 | 18,175.43 | 0.00 |
| Earnings on Investments | 2,300.00 | 5,669.74 | 5,669.74 | 0.00 |
| Miscellaneous | 2,000.00 | 3,327.00 | 3,327.00 | 0.00 |
| <i>Total receipts</i> | <u>61,250.00</u> | <u>72,767.10</u> | <u>72,767.10</u> | <u>0.00</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 70,812.73 | 71,812.73 | 63,267.53 | 8,545.20 |
| Public Works | 15,800.00 | 14,800.00 | 6,480.36 | 8,319.64 |
| Health | 5,175.00 | 5,175.00 | 4,798.46 | 376.54 |
| Capital Outlay | 1,000.00 | 1,000.00 | 823.62 | 176.38 |
| <i>Total Disbursements</i> | <u>92,787.73</u> | <u>92,787.73</u> | <u>75,369.97</u> | <u>17,417.76</u> |
| <i>Net Change in Fund Balance</i> | (31,537.73) | (20,020.63) | (2,602.87) | (17,417.76) |
| <i>Fund Balance Beginning of Year</i> | <u>28,884.73</u> | <u>28,884.73</u> | <u>28,884.73</u> | <u>0.00</u> |
| <i>Fund Balance End of Year</i> | <u>(\$2,653.00)</u> | <u>\$8,864.10</u> | <u>\$26,281.86</u> | <u>(\$17,417.76)</u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Intergovernmental | \$82,550.00 | \$86,508.43 | \$86,508.43 | \$0.00 |
| Earnings on Investments | 450.00 | 534.53 | 534.53 | 0.00 |
| <i>Total receipts</i> | <u>83,000.00</u> | <u>87,042.96</u> | <u>87,042.96</u> | <u>0.00</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 123,009.88 | 123,009.88 | 78,549.12 | 44,460.76 |
| Capital Outlay | 21,300.00 | 21,300.00 | 20,636.24 | 663.76 |
| <i>Total Disbursements</i> | <u>144,309.88</u> | <u>144,309.88</u> | <u>99,185.36</u> | <u>45,124.52</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(61,309.88)</u> | <u>(57,266.92)</u> | <u>(12,142.40)</u> | <u>45,124.52</u> |
| Other Financing Sources | | | | |
| Other Debt Proceeds | 16,300.00 | 16,300.00 | 16,300.00 | 0.00 |
| <i>Net Change in Fund Balance</i> | (45,009.88) | (40,966.92) | 4,157.60 | 45,124.52 |
| <i>Fund Balance Beginning of Year</i> | <u>45,009.88</u> | <u>45,009.88</u> | <u>45,009.88</u> | <u>0.00</u> |
| <i>Fund Balance End of Year</i> | <u>\$0.00</u> | <u>\$4,042.96</u> | <u>\$49,167.48</u> | <u>\$45,124.52</u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Levy Fund
For the Year Ended December 31, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$34,400.00 | \$34,834.60 | \$34,834.60 | \$0.00 |
| Intergovernmental | 3,500.00 | 4,044.23 | 4,044.23 | 0.00 |
| <i>Total receipts</i> | <u>37,900.00</u> | <u>38,878.83</u> | <u>38,878.83</u> | <u>0.00</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 2,000.00 | 2,000.00 | 824.68 | 1,175.32 |
| Public Works | 20,000.00 | 20,000.00 | 0.00 | 20,000.00 |
| Capital Outlay | 149,201.60 | 149,201.60 | 15,275.00 | 133,926.60 |
| <i>Total Disbursements</i> | <u>171,201.60</u> | <u>171,201.60</u> | <u>16,099.68</u> | <u>155,101.92</u> |
| <i>Net Change in Fund Balance</i> | (133,301.60) | (132,322.77) | 22,779.15 | (155,101.92) |
| <i>Fund Balance Beginning of Year</i> | <u>135,494.60</u> | <u>135,494.60</u> | <u>135,494.60</u> | <u>0.00</u> |
| <i>Fund Balance End of Year</i> | <u>\$2,193.00</u> | <u>\$3,171.83</u> | <u>\$158,273.75</u> | <u>(\$155,101.92)</u> |

See accompanying notes to the basic financial statements

FRANKLIN TOWNSHIP, MORROW COUNTY
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Road Levy Fund
 For the Year Ended December 31, 2006*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------|-------------------------|-------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$59,000.00 | \$60,479.57 | \$60,479.57 | \$0.00 |
| Intergovernmental | 7,000.00 | 7,141.38 | 7,141.38 | 0.00 |
| <i>Total receipts</i> | <u>66,000.00</u> | <u>67,620.95</u> | <u>67,620.95</u> | <u>0.00</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 12,000.00 | 12,000.00 | 1,860.67 | 10,139.33 |
| Public Works | 85,491.39 | 85,491.39 | 57,580.88 | 27,910.51 |
| <i>Total Disbursements</i> | <u>97,491.39</u> | <u>97,491.39</u> | <u>59,441.55</u> | <u>38,049.84</u> |
| <i>Net Change in Fund Balance</i> | (31,491.39) | (29,870.44) | 8,179.40 | (38,049.84) |
| <i>Fund Balance Beginning of Year</i> | <u>31,491.39</u> | <u>31,491.39</u> | <u>31,491.39</u> | <u>0.00</u> |
| <i>Fund Balance End of Year</i> | <u>\$0.00</u> | <u>\$1,620.95</u> | <u>\$39,670.79</u> | <u>(\$38,049.84)</u> |

See accompanying notes to the basic financial statements

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

Note 1 – Reporting Entity

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

The reporting entity is comprised of the primary government that was included to ensure that the financial statements are not misleading.

A. 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.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township has no component units to report.

C. Jointly Governed Organizations and Public Entity Risk Pools

The Township participates in one public entity risk pool. This organization is the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTARMA provides property, casualty and liability coverage. Note 6 to the financial statements provides additional information for this entity.

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 cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a 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. Nonmajor 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. The Township does not have any proprietary or fiduciary funds.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax, Fire Levy, and Road Levy 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. The Gasoline Tax Fund is used to receive state fuel excise taxes to pay for constructing, maintaining, and repairing Township roads. The Fire Levy Fund receives property tax monies for providing fire protection within the Township. The Road Levy Fund receives property tax monies for constructing, maintaining, and repairing Township roads and bridges.

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

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 cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

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

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

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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Township records identify the purchase of specific investments by specific funds.

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 with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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, respectively.

During 2007 and 2006, the Township invested in nonnegotiable certificates of deposit, a money market mutual fund, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The Township’s money market mutual fund investment is recorded at the amount reported by Bank One/Chase on December 31, 2007 and 2006.

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, 2007 and 2006.

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 2007 was \$9,521 which includes \$2,262 assigned from other Township funds. Interest receipts credited to the General Fund during 2006 was \$5,670 which includes \$637 credited to other Township funds.

F. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

G. Long-Term Obligations

The Township’s cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

H. 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 net assets represent \$304,228 in 2007 and \$265,370 in 2006 for funds whose use is restricted to special purposes imposed by law through constitutional provisions and enabling legislation (gasoline tax, motor vehicle licenses, fire and road levies.)

I. Fund Balance Reserves

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Gasoline Tax, Fire Levy and Road Levy Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 4 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 4 – Deposits and Investments (Continued)

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).

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

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2007, \$163,805 of the Township's bank balance of \$263,805 and in 2006 \$104,771 of the Township's bank balance of \$204,771 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 4 – Deposits and Investments (Continued)

Investments

The Township invests only in STAR Ohio, which had a carrying value at December 31, 2007 of \$99,899 and at December 31, 2006 of \$94,994.

Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes, and real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2005, 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 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2006, on the true value as of December 31, 2006. 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 5 – Property Taxes (Continued)

The full tax rate for all Township operations for the year ended December 31, 2007 and 2006, was \$5.70 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 and 2006 property tax receipts were based are as follows:

| Real Property | 2007 | 2006 |
|----------------------------|---------------------|---------------------|
| Residential | \$21,412,210 | \$21,868,980 |
| Agricultural | 6,310,170 | 6,276,980 |
| Commercial | 1,691,910 | 1,764,000 |
| Public Utility Property | 1,574,900 | 1,600,100 |
| Tangible Personal Property | 190,430 | 94,965 |
| Business | 0 | 0 |
| Total Assessed Values | <u>\$31,179,620</u> | <u>\$31,605,025</u> |

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 6 – Risk Management

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

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

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

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, 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.

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 6 – Risk Management (Continued)

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.

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

Financial Position

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

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

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$2,162. 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.

| <u>Contributions to OTARMA</u> | |
|--------------------------------|---------|
| 2005 | \$2,929 |
| 2006 | \$2,943 |
| 2007 | \$2,300 |

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 6 – Risk Management (Continued)

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

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

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) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007 and 2006, members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9.5% in 2007 and 9% in 2006 of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 was 13.85% and 2006 was 13.7. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$7,147, \$7,074, and \$7,859 respectively. The full amount has been contributed for 2007, 2006, and 2005.

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and serve 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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2007 local government employer contribution rate was 13.85% in 2007 and 13.7% in 2006 of covered payroll; 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007 of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, 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 between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contribution for 2007 which were used to fund postemployment benefits was \$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, 2006, were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were 30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

Note 9 – Debt

The Township's long-term debt activity for the year ended December 31, 2007, was as follows:

| | Interest Rate | Balance December 31, 2006 | Additions | Reductions | Balance December 31, 2007 |
|--------------------------------|------------------|---------------------------------|-----------|------------|------------------------------------|
| <u>Governmental Activities</u> | | | | | |
| Promissory note | 5.59% | \$16,300 | \$0 | \$7,928 | \$8,372 |

**FRANKLIN TOWNSHIP
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 9 – Debt (Continued)

All debt proceeds had been spent at December 31, 2006. The note is backed by full faith and credit of the Township. The note was for the purpose of purchasing a Back-hoe for the Township. The Back-hoe is used for maintenance in the Township. The Township borrowed \$16,300 at 5.59% interest to be paid back over two years. The following is a schedule of payment:

| Year | Note | |
|------|-----------|----------|
| | Principal | Interest |
| 2008 | \$8,372 | \$469 |



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
Morrow County
5107 Township Road 117
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Morrow County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 31, 2008, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. 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.

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

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

Franklin Township
Morrow County

Independent Accountants' report on internal control over financial reporting and on compliance and other matters required by *Government Auditing Standards*

Page 2

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

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated July 31, 2008.

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

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

Mary Taylor, CPA
Auditor of State

July 31, 2008



Mary Taylor, CPA
Auditor of State

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
OCTOBER 2, 2008**