



**Auditor of State
Betty Montgomery**

**FRANKLIN TOWNSHIP
ADAMS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
2005 Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis as of December 31, 2005.....	9
Statement of Activities – Cash Basis for the Year Ended December 31, 2005	10
2005 Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds as of December 31, 2005.....	11
Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2005	12
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2005	13
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2005	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Cemetery Fund For the Year Ended December 31, 2005	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Special Levy Fire Fund For the Year Ended December 31, 2005	16
2004 Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis as of December 31, 2004.....	17
Statement of Activities – Cash Basis for the Year Ended December 31, 2004	18
2004 Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds as of December 31, 2004.....	19
Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2004	20

FRANKLIN TOWNSHIP
ADAMS COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2004	21
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2004	22
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Cemetery Fund For the Year Ended December 31, 2004	23
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Special Levy Fire Fund For the Year Ended December 31, 2004	24
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Federal Emergency Management Agency Fund For the Year Ended December 31, 2004	25
Notes to the Financial Statements	27
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	37



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Franklin Township
Adams County
29760 State Route 41
Peebles, Ohio 45660

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, Adams County, Ohio (the Township), as of and for the year ended December 31, 2005 and 2004, 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, Adams County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Cemetery, Special Levy Fire, and Federal Emergency Management Agency (2004 only) funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005 and 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Franklin Township
Adams County
Independent Accountants' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 8, 2006

Franklin Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
(Unaudited)

This discussion and analysis of Franklin Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2005 and 2004, 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 2005 and 2004 are as follows:

In 2005, the Township's net assets increased \$25,600 or 10% over 2004. Expenses decreased due to the completion of a Federal Emergency Management Agency (FEMA) project and revenues increased due to additional gasoline excise tax monies received in 2004. In 2004, the Township's net assets increased \$12,978 or 5% as compared to 2003. Expenses relative to the completion of road repair work and purchase of new equipment in 2003 resulted in an increase in disbursements in 2003 as compared to 2004.

The Township's general receipts are primarily property taxes. During 2005 and 2004 general receipts represented 47% and 51% respectively of the total cash received for governmental activities. Property tax receipts for 2005 and 2004 changed very little compared to 2003 as property values showed only moderate increases. The Township's program receipts are primarily excise gas tax and opening and closing of grave fees. Excise tax receipts related to fuel sales increased \$15,697 or 23% in 2005 over 2004, and increased \$12,578 or 19% in 2004 over 2003. Opening and closing of grave fees for 2005 and 2004 remained fairly consistent.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

Franklin Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
(Unaudited)
(Continued)

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 2005 and 2004, 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 nonfinancial factors as well such as the Township's property tax base, the condition of the Township capital assets, 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.

Reporting the Government'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.

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, Gas Tax, Cemetery, and Special Levy Fire Funds in both 2005 and 2004, and the Federal Emergency Management Agency Fund in 2004. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Franklin Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
(Unaudited)
(Continued)

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2005 and 2004 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$285,695	\$260,095
Total Assets	\$285,695	\$260,095
 Net Assets		
Restricted for:		
Other Purposes	235,907	195,206
Unrestricted	49,788	64,889
Total Net Assets	\$285,695	\$260,095

As mentioned previously, net assets of governmental activities increased \$25,600 or 10 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Decrease in expenditures was due in part to the completion of the Federal Emergency Management Agency (FEMA) project during 2004.
- Increases in amount of gasoline excise tax received between 2004 as compared to 2005 in the amount of \$15,697.

Table 2 reflects the changes in net assets in 2005 and 2004.

Franklin Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
(Unaudited)
(Continued)

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Variance
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$46,068	\$46,737	(\$669)
Operating Grants and Contributions	96,537	80,697	15,840
Total Program Receipts	<u>142,605</u>	<u>127,434</u>	15,171
General Receipts:			
Property and Other Local Taxes	75,785	74,075	1,710
Grants and Entitlements Not Restricted to Specific Programs	33,875	44,662	(10,787)
Interest	1,715	484	1,231
Sale of Fixed Assets	1,400	0	1,400
Miscellaneous	6,168	4,740	1,428
Other Financing Sources/Uses (net)	6,684	7,247	(563)
Total General Receipts	<u>125,627</u>	<u>131,208</u>	(5,581)
Total Receipts	<u>268,232</u>	<u>258,642</u>	9,590
Disbursements:			
General Government	50,897	45,763	5,134
Public Safety	47,341	43,706	3,635
Public Works	77,008	100,649	(23,641)
Health	57,282	51,378	5,904
Capital Outlay	10,104	4,168	5,936
Total Disbursements	<u>242,632</u>	<u>245,664</u>	(3,032)
Increase (Decrease) in Net Assets	25,600	12,978	12,622
Beginning Net Assets	260,095	247,117	12,978
Ending Net Assets	<u>\$285,695</u>	<u>\$260,095</u>	\$25,600

In 2005, Program receipts represent 53% of total receipts. In 2004, Program receipts represent 49% of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

In 2005, General receipts represent 47% of the Township's total receipts, and of this amount, 60% are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (27%). In 2004, General receipts represent 51% of the Township's total receipts, and of this amount, 56% are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (34%). Other receipts in 2005 and 2004 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 the costs of officials' salaries and benefits, Township hall, maintenance and utilities.

Franklin Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
(Unaudited)
(Continued)

Public Safety is the costs of fire protection; Health is the health department and cemetery maintenance; Capital Outlay is the cost of purchasing land and other capital assets.

Governmental Activities

If you look at the Statement of Activities on page 10 and 18, 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 account for 40 and 36 percent of all governmental disbursements in 2005 and 2004, respectively. 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
	2005	2005	2004	2004
General Government	\$50,897	(\$48,172)	\$45,763	(\$41,304)
Public Safety	47,341	(33,341)	43,706	(29,706)
Public Works	77,008	19,610	100,649	(19,802)
Health	57,282	(28,020)	51,378	(23,268)
Capital Outlay	10,104	(10,104)	4,168	(4,150)
Total Expenses	\$242,632	(\$100,027)	\$245,664	(\$118,230)

The dependence upon property tax receipts is apparent as over 28 and 29 percent of governmental activities are supported through these general receipts in 2005 and 2004, respectively.

The Government's Funds

In 2005, total governmental funds had receipts of \$268,232 and disbursements of \$242,632. In 2004, total governmental funds had receipts of \$258,642 and disbursements of \$245,664. The greatest change within governmental funds occurred within the Gas Tax Fund. The fund balance of the Gas Tax Fund increased \$25,393 (60%) in 2005 and \$14,647 (52%) as the result of increased amount of excise tax received by the Township.

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
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
(Unaudited)
(Continued)

During 2005 and 2004, the Township amended its General Fund budget occasionally to reflect changing circumstances. General Fund receipts received in 2005 were \$850 greater than was budgeted and were \$2,888 greater in 2004.

In 2005, final disbursements were budgeted at \$93,983, while actual disbursements were \$61,778. In 2004, final disbursements were budgeted at \$72,895, while actual disbursements were \$46,820. The Township kept spending below budgeted amounts as demonstrated by the reported variances, however, receipts failed to keep pace with disbursements resulting in a fund balance decrease in 2005 of \$15,101. In 2004, receipts were greater than disbursements resulting in a fund balance increase of \$9,325.

Capital Assets and Debt Administration

Capital Assets

The Township does not report capital assets under the cash basis of accounting.

Debt

The Township had no debt during the period January 1, 2004 through December 31, 2005.

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.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the 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 Diane Ward, Fiscal Officer, Franklin Township, 989 Poplar Grove Road, Peebles, Ohio 45660-9721.

Franklin Township, Adams County

Statement of Net Assets - Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$285,695</u>
<i>Total Assets</i>	<u><u>\$285,695</u></u>
Net Assets	
Restricted for:	
Other Purposes	235,907
Unrestricted	<u>49,788</u>
<i>Total Net Assets</i>	<u><u>\$285,695</u></u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Total Governmental Activities
Governmental Activities				
General Government	\$50,897	\$2,725		(\$48,172)
Public Safety	47,341	14,000		(33,341)
Public Works	77,008	81	96,537	19,610
Health	57,282	29,262		(28,020)
Capital Outlay	10,104			(10,104)
<i>Total Governmental Activities</i>	<u>242,632</u>	<u>46,068</u>	<u>96,537</u>	(100,027)
General Receipts				
Property Taxes Levied for:				
General Purposes				75,785
Grants and Entitlements not Restricted to Specific Programs				33,875
Sale of Capital Assets				1,400
Interest				1,715
Miscellaneous				6,168
Other Financing Sources/Uses (net)				<u>6,684</u>
<i>Total General Receipts</i>				125,627
Change in Net Assets				25,600
<i>Net Assets Beginning of Year</i>				<u>260,095</u>
<i>Net Assets End of Year</i>				<u><u>\$285,695</u></u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Gasoline Tax Fund</u>	<u>Cemetery Fund</u>	<u>Special Levy Fire Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$49,788	\$68,057	\$34,703	\$99,960	\$33,187	\$285,695
<i>Total Assets</i>	<u>\$49,788</u>	<u>\$68,057</u>	<u>\$34,703</u>	<u>\$99,960</u>	<u>\$33,187</u>	<u>\$285,695</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	49,788	0	0	0	0	49,788
Special Revenue Funds	0	68,057	34,703	99,960	33,187	235,907
<i>Total Fund Balances</i>	<u>\$49,788</u>	<u>\$68,057</u>	<u>\$34,703</u>	<u>\$99,960</u>	<u>\$33,187</u>	<u>\$285,695</u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Gasoline Tax Fund	Cemetery Fund	Special Levy Fire Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$17,644	\$0	\$15,820	\$34,310	\$8,011	\$75,785
Charges for Services	0	0	17,950	14,000	0	31,950
Licenses, Permits and Fees	0	0	1,515	0	0	1,515
Intergovernmental	22,031	83,525	2,590	8,000	13,845	129,991
Interest	1,715	403	0	0	18	2,136
Other	5,287	600	10,635	2,249	0	18,771
<i>Total Receipts</i>	<u>46,677</u>	<u>84,528</u>	<u>48,510</u>	<u>58,559</u>	<u>21,874</u>	<u>260,148</u>
Disbursements						
Current:						
General Government	46,717	0	4,180	0	0	50,897
Public Safety	0	0	0	47,341	0	47,341
Public Works	1,386	60,535	0	0	15,087	77,008
Health	13,675	0	43,607	0	0	57,282
Capital Outlay	0	0	104	10,000	0	10,104
<i>Total Disbursements</i>	<u>61,778</u>	<u>60,535</u>	<u>47,891</u>	<u>57,341</u>	<u>15,087</u>	<u>242,632</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,101)</u>	<u>23,993</u>	<u>619</u>	<u>1,218</u>	<u>6,787</u>	<u>17,516</u>
Other Financing Sources (Uses)						
Sale of Capital Assets	0	1,400	0	0	0	1,400
Other Financing Sources	0	0	1,000	5,684	0	6,684
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>1,400</u>	<u>1,000</u>	<u>5,684</u>	<u>0</u>	<u>8,084</u>
<i>Net Change in Fund Balances</i>	<u>(15,101)</u>	<u>25,393</u>	<u>1,619</u>	<u>6,902</u>	<u>6,787</u>	<u>25,600</u>
<i>Fund Balances Beginning of Year</i>	<u>64,889</u>	<u>42,664</u>	<u>33,084</u>	<u>93,058</u>	<u>26,400</u>	<u>260,095</u>
<i>Fund Balances End of Year</i>	<u>\$49,788</u>	<u>\$68,057</u>	<u>\$34,703</u>	<u>\$99,960</u>	<u>\$33,187</u>	<u>\$285,695</u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$16,000	\$16,000	\$17,644	\$1,644
Intergovernmental	18,980	22,633	22,031	(602)
Interest	1,478	1,762	1,715	(47)
Other	4,555	5,432	5,287	(145)
<i>Total receipts</i>	41,013	45,827	46,677	850
Disbursements				
Current:				
General Government	70,883	70,883	46,717	24,166
Public Works	1,500	1,500	1,386	114
Health	20,600	20,600	13,675	6,925
Human Services	500	500	0	500
Capital Outlay	500	500	0	500
<i>Total Disbursements</i>	93,983	93,983	61,778	32,205
<i>Net Change in Fund Balance</i>	(52,970)	(48,156)	(15,101)	33,055
<i>Fund Balance Beginning of Year</i>	64,889	64,889	64,889	0
<i>Fund Balance End of Year</i>	\$11,919	\$16,733	\$49,788	\$33,055

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$80,820	\$80,820	\$83,525	\$2,705
Interest	35	176	403	227
Other	100	600	600	-
<i>Total receipts</i>	<u>80,955</u>	<u>81,596</u>	<u>84,528</u>	<u>2,932</u>
Disbursements				
Current:				
Public Works	79,167	79,167	60,535	18,632
<i>Total Disbursements</i>	<u>79,167</u>	<u>79,167</u>	<u>60,535</u>	<u>18,632</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,788</u>	<u>2,429</u>	<u>23,993</u>	<u>21,564</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,400	1,400	1,400	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,400</u>	<u>1,400</u>	<u>1,400</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	3,188	3,829	25,393	21,564
<i>Fund Balance Beginning of Year</i>	<u>42,664</u>	<u>42,664</u>	<u>42,664</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$45,852</u>	<u>\$46,493</u>	<u>\$68,057</u>	<u>\$21,564</u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Cemetery Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Receipts				
Property and Other Local Taxes	\$14,500	\$14,500	\$15,820	\$1,320
Charges for Services	15,266	18,702	17,950	(752)
Licenses, Permits and Fees	1,288	1,578	1,515	(63)
Intergovernmental	2,202	2,698	2,590	(108)
Other	9,044	11,080	10,635	(445)
<i>Total receipts</i>	<u>42,300</u>	<u>48,558</u>	<u>48,510</u>	<u>(48)</u>
Disbursements				
Current:				
General Government	4,150	4,180	4,180	0
Health	49,970	50,335	43,607	6,728
Capital Outlay	695	700	104	596
<i>Total Disbursements</i>	<u>54,815</u>	<u>55,215</u>	<u>47,891</u>	<u>7,324</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,515)</u>	<u>(6,657)</u>	<u>619</u>	<u>7,276</u>
Other Financing Sources (Uses)				
Other Financing Sources	850	1,042	1,000	(42)
<i>Total Other Financing Sources (Uses)</i>	<u>850</u>	<u>1,042</u>	<u>1,000</u>	<u>(42)</u>
<i>Net Change in Fund Balance</i>	(11,665)	(5,615)	1,619	7,234
<i>Fund Balance Beginning of Year</i>	<u>33,084</u>	<u>33,084</u>	<u>33,084</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$21,419</u></u>	<u><u>\$27,469</u></u>	<u><u>\$34,703</u></u>	<u><u>\$7,234</u></u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Levy Fire Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$32,000	\$32,000	\$34,310	\$2,310
Charges for Services	10,240	15,290	14,000	(1,290)
Intergovernmental	5,852	8,736	8,000	(736)
Other	1,645	2,456	2,249	(207)
<i>Total receipts</i>	<u>49,737</u>	<u>58,482</u>	<u>58,559</u>	<u>77</u>
Disbursements				
Current:				
Public Safety	59,940	62,940	47,341	15,599
Capital Outlay	0	10,000	10,000	0
<i>Total Disbursements</i>	<u>59,940</u>	<u>72,940</u>	<u>57,341</u>	<u>15,599</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,203)</u>	<u>(14,458)</u>	<u>1,218</u>	<u>15,676</u>
Other Financing Sources (Uses)				
Other Financing Sources	4,158	6,207	5,684	(523)
<i>Total Other Financing Sources (Uses)</i>	<u>4,158</u>	<u>6,207</u>	<u>5,684</u>	<u>(523)</u>
<i>Net Change in Fund Balance</i>	(6,045)	(8,251)	6,902	15,153
<i>Fund Balance Beginning of Year</i>	<u>93,058</u>	<u>93,058</u>	<u>93,058</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$87,013</u></u>	<u><u>\$84,807</u></u>	<u><u>\$99,960</u></u>	<u><u>\$15,153</u></u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County

Statement of Net Assets - Cash Basis

December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$260,095</u>
<i>Total Assets</i>	<u><u>\$260,095</u></u>
Net Assets	
Restricted for:	
Other Purposes	195,206
Unrestricted	<u>64,889</u>
<i>Total Net Assets</i>	<u><u>\$260,095</u></u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$45,763	\$4,459		(\$41,304)
Public Safety	43,706	14,000		(29,706)
Public Works	100,649	150	80,697	(19,802)
Health	51,378	28,110		(23,268)
Capital Outlay	4,168	18		(4,150)
<i>Total Governmental Activities</i>	<u>245,664</u>	<u>46,737</u>	<u>80,697</u>	(118,230)
General Receipts				
Property Taxes Levied for:				
General Purposes				74,075
Grants and Entitlements not Restricted to Specific Programs				44,662
Interest				484
Miscellaneous				4,740
Other Financing Sources/Uses (net)				7,247
<i>Total General Receipts</i>				131,208
Change in Net Assets				12,978
<i>Net Assets Beginning of Year</i>				247,117
<i>Net Assets End of Year</i>				<u>\$260,095</u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Gasoline Tax Fund	Cemetery Fund	Special Levy Fire Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$64,889	\$42,664	\$33,084	\$93,058	\$26,400	\$260,095
<i>Total Assets</i>	<u>\$64,889</u>	<u>\$42,664</u>	<u>\$33,084</u>	<u>\$93,058</u>	<u>\$26,400</u>	<u>\$260,095</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	64,889	0	0	0	0	64,889
Special Revenue Funds	0	42,664	33,084	93,058	26,400	195,206
<i>Total Fund Balances</i>	<u>\$64,889</u>	<u>\$42,664</u>	<u>\$33,084</u>	<u>\$93,058</u>	<u>\$26,400</u>	<u>\$260,095</u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Gasoline Tax Fund	Cemetery Fund	Special Levy Fire Fund	Federal Emergency Management Agency Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$16,457	\$0	\$15,866	\$34,275	\$0	\$7,476	\$74,074
Charges for Services	0	0	18,700	14,000	0	0	32,700
Licenses, Permits and Fees	0	0	1,024	0	0	0	1,024
Intergovernmental	33,082	67,828	2,520	8,981	0	14,049	126,460
Interest	483	0	0	0	0	0	483
Other	6,123	0	9,569	962	0	0	16,654
<i>Total Receipts</i>	<u>56,145</u>	<u>67,828</u>	<u>47,679</u>	<u>58,218</u>	<u>0</u>	<u>21,525</u>	<u>251,395</u>
Disbursements							
Current:							
General Government	41,234	0	3,849	0	680	0	45,763
Public Safety	0	0	0	43,706	0	0	43,706
Public Works	1,387	53,181	0	0	25,524	20,557	100,649
Health	4,029	0	47,349	0	0	0	51,378
Capital Outlay	170	0	3,998	0	0	0	4,168
<i>Total Disbursements</i>	<u>46,820</u>	<u>53,181</u>	<u>55,196</u>	<u>43,706</u>	<u>26,204</u>	<u>20,557</u>	<u>245,664</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,325</u>	<u>14,647</u>	<u>(7,517)</u>	<u>14,512</u>	<u>(26,204)</u>	<u>968</u>	<u>5,731</u>
Other Financing Sources (Uses)							
Other Financing Sources	0	0	0	4,447	0	2,800	7,247
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,447</u>	<u>0</u>	<u>2,800</u>	<u>7,247</u>
<i>Net Change in Fund Balances</i>	9,325	14,647	(7,517)	18,959	(26,204)	3,768	12,978
<i>Fund Balances Beginning of Year</i>	<u>55,564</u>	<u>28,017</u>	<u>40,601</u>	<u>74,099</u>	<u>26,204</u>	<u>22,632</u>	<u>247,117</u>
<i>Fund Balances End of Year</i>	<u>\$64,889</u>	<u>\$42,664</u>	<u>\$33,084</u>	<u>\$93,058</u>	<u>\$0</u>	<u>\$26,400</u>	<u>\$260,095</u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$13,870	\$13,870	\$16,457	\$2,587
Intergovernmental	19,447	32,831	33,082	251
Interest	284	479	483	4
Other	3,599	6,077	6,123	46
<i>Total receipts</i>	37,200	53,257	56,145	2,888
Disbursements				
Current:				
General Government	64,198	64,198	41,234	22,964
Public Works	2,159	2,159	1,387	772
Health	6,273	6,273	4,029	2,244
Capital Outlay	265	265	170	95
<i>Total Disbursements</i>	72,895	72,895	46,820	26,075
<i>Excess of Receipts Over (Under) Disbursements</i>	(35,695)	(19,638)	9,325	28,963
<i>Net Change in Fund Balance</i>	(35,695)	(19,638)	9,325	28,963
<i>Fund Balance Beginning of Year</i>	55,564	55,564	55,564	0
<i>Fund Balance End of Year</i>	\$19,869	\$35,926	\$64,889	\$28,963

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$60,200	\$66,894	\$67,828	\$934
<i>Total receipts</i>	<u>60,200</u>	<u>66,894</u>	<u>67,828</u>	<u>934</u>
Disbursements				
Current:				
Public Works	63,765	65,765	53,181	12,584
<i>Total Disbursements</i>	<u>63,765</u>	<u>65,765</u>	<u>53,181</u>	<u>12,584</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,565)</u>	<u>1,129</u>	<u>14,647</u>	<u>13,518</u>
<i>Net Change in Fund Balance</i>	(3,565)	1,129	14,647	13,518
<i>Fund Balance Beginning of Year</i>	<u>28,017</u>	<u>28,017</u>	<u>28,017</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$24,452</u></u>	<u><u>\$29,146</u></u>	<u><u>\$42,664</u></u>	<u><u>\$13,518</u></u>

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Cemetery Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$13,850	\$13,850	\$15,866	\$2,016
Charges for Services	17,023	19,626	18,700	(926)
Licenses, Permits and Fees	932	1,075	1,024	(51)
Intergovernmental	2,294	2,645	2,520	(125)
Other	8,711	10,043	9,569	(474)
<i>Total receipts</i>	42,810	47,239	47,679	440
Disbursements				
Current:				
General Government	4,304	4,304	3,849	455
Health	52,949	52,949	47,349	5,600
Capital Outlay	4,471	4,471	3,998	473
<i>Total Disbursements</i>	61,724	61,724	55,196	6,528
<i>Excess of Receipts Over (Under) Disbursements</i>	(18,914)	(14,485)	(7,517)	6,968
<i>Net Change in Fund Balance</i>	(18,914)	(14,485)	(7,517)	6,968
<i>Fund Balance Beginning of Year</i>	40,601	40,601	40,601	0
<i>Fund Balance End of Year</i>	\$21,687	\$26,116	\$33,084	\$6,968

See accompanying notes to the basic financial statements

Franklin Township, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Levy Fire Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$28,650	\$28,650	\$34,275	\$5,625
Charges for Services	9,431	15,876	14,000	(1,876)
Intergovernmental	6,050	10,185	8,981	(1,204)
Other	648	1,091	962	(129)
<i>Total receipts</i>	44,779	55,802	58,218	2,416
Disbursements				
Current:				
Public Safety	56,859	57,859	43,706	14,153
<i>Total Disbursements</i>	56,859	57,859	43,706	14,153
<i>Excess of Receipts Over (Under) Disbursements</i>	(12,080)	(2,057)	14,512	16,569
Other Financing Sources (Uses)				
Other Financing Sources	2,996	5,043	4,447	(596)
<i>Total Other Financing Sources (Uses)</i>	2,996	5,043	4,447	(596)
<i>Net Change in Fund Balance</i>	(9,084)	2,986	18,959	15,973
<i>Fund Balance Beginning of Year</i>	74,099	74,099	74,099	0
<i>Fund Balance End of Year</i>	\$65,015	\$77,085	\$93,058	\$15,973

See accompanying notes to the basic financial statements

Franklin Township, Adams County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Federal Emergency Management Agency Fund
 For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Disbursements				
Current:				
General Government	680	680	680	0
Public Works	25,524	25,524	25,524	0
<i>Total Disbursements</i>	<u>26,204</u>	<u>26,204</u>	<u>26,204</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(26,204)</u>	<u>(26,204)</u>	<u>(26,204)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(26,204)	(26,204)	(26,204)	0
<i>Fund Balance Beginning of Year</i>	<u>26,204</u>	<u>26,204</u>	<u>26,204</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

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Franklin Township
Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004

Note 1 – Reporting Entity

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

A. Primary Government

The primary government consists of all funds and departments that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, fire protection, and emergency medical services. 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

Franklin Township
Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental 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 all classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund – The General Fund is the general operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Cemetery Fund – This fund receives fees for opening and closing graves and the sale of lots.

Fire Levy Fund – The fire levy fund receives local taxes and contracts with other political subdivisions to provide fire protection and maintain fire apparatus and appliances.

Franklin Township
Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Federal Emergency Management Agency Fund (2004) – This fund was set up to keep track of Federal Emergency Management Agency (FEMA) monies received and expended.

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. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

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

D. Budgetary Process

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

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

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 certificated 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
Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments

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

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

During 2005 and 2004, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$2,136 and during 2004 was \$483.

F. Capital Assets

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

G. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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.

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 \$235,907 of a total fund balance of \$285,695 in 2005 and \$195,206 of a total fund balance of \$260,095 in 2004.

Franklin Township
Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

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

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

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end.

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Franklin Township
Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 5 – Deposits and Investments (continued)

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 fiscal year end 2005, \$202,684 of the Township's bank balance of \$302,684 was exposed to custodial credit risk, and at the end of fiscal year 2004, \$173,316 of the Township's bank balance of \$273,316 was exposed to custodial credit risk. These 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
Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2004 and 2005, was \$5.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	2004	2005
Residential	\$6,143,310	\$6,726,320
Agriculture	3,887,050	4,487,640
Commercial/Industrial/Mineral	850,770	884,220
Public Utility Property		
Real	105,650	104,850
Personal	2,439,330	2,448,590
Tangible Personal Property	2,314,920	2,022,250
Total Assessed Value	\$15,741,030	\$16,673,870

Franklin Township
Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 7 – 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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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 value. 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 2005 was \$1,682,589.

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 township.

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Franklin Township
Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 7 – Risk Management (continued)

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$7,712 for 2004 and \$7,676 for 2005.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Franklin Township
Adams County
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 8 – Defined Benefit Pension Plan (continued)

For the year ended December 31, 2005 and 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$7,405, \$7,442, and \$6,169 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$3,102. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



Auditor of State Betty Montgomery

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

Franklin Township
Adams County
29670 State Route 41
Peebles, Ohio 45660

To the Board of Trustees:

We have audited the financial statements of Franklin Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 8, 2006. We noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated September 8, 2006, we reported other matters involving internal control over financial reporting we did not deem as reportable conditions.

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*.ⁱ In a separate letter to the Township's management dated September 8, 2006, we reported an other matter related to noncompliance we deemed immaterial.

Franklin Township
Adams County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 8, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
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Facsimile 614-466-4490

FRANKLIN TOWNSHIP

ADAMS 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 19, 2006**