

FRANKLIN TOWNSHIP
ADAMS COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

725 5TH Street
Portsmouth, Ohio 45662



Mary Taylor, CPA
Auditor of State

Board of Trustees
Franklin Township
989 Poplar Grove Road
Peebles, Ohio 45660

We have reviewed the *Independent Auditor's Report* of Franklin Township, Adams County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Franklin Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 23, 2009

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ADAMS COUNTY**

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ADAMS COUNTY**

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
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Independent Auditor's Report

To the Board of Trustees
Franklin Township
29760 State Route 41
Peebles, Ohio 45660

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Franklin Township (the Township), Adams County, Ohio, as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the Township has prepared these financial statements and notes, using the cash basis of accounting. 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, 2007, and 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund, the Gasoline Tax Fund, the Fire Fund and the Cemetery Fund, thereof and 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 January 15, 2009, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Franklin Township
Independent Auditor's Report

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Caudill & Associates, CPAs

Caudill & Associates, CPAs

January 15, 2009

Franklin Township
Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

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

Key financial highlights for the fiscal year 2007 and 2006 are as follows:

- Net assets of governmental activities increased \$10,906 or 4.0% in 2007 and decreased \$13,360 or 4.7% in 2006. The fund most affected by the increase in net assets in 2007 was the General Fund. The General fund increased its general government expenditures in 2006.
- General cash receipts accounted for \$161,511 or 54.9% of all cash receipts in 2007, and \$147,772 or 53.2% in 2006. Program cash receipts in the form of charges for services, grants and contributions accounted for \$132,645 or 45.09% in 2007, and \$129,843 or 46.8% in 2006.
- The Township had \$283,250 and \$290,975 in cash disbursements related to governmental activities in 2007 and 2006 respectively; only \$132,645 and \$129,843 of these cash disbursements, respectively, were offset by program specific charges for services, grants, and contributions.
- The Township's most significant sources of receipts include property taxes, state and local levied taxes, and grant revenues. The township's most significant expenditures are made for maintenance of Township roads and streets.

Using the Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements – and Management's Discussion and analysis – for State and Local Governments*", 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 Government as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

Franklin Township
Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

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 Township 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 and investments of the governmental activities of the Government 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 are indicators of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, one 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 and income taxes.

In the statement of net assets and the statement of activities, the Township's one type of activity is classified as governmental in nature.

Governmental activities: Most of the Township's basic services are reported here, including road maintenance, and fire protection. 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.

Franklin Township
Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

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. The Township's only funds are governmental funds.

Governmental Funds - All of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the Township is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. See Note 2 to the financial statements in the section entitled *Government-Wide Financial Statements*.

The Government as a Whole

Table 1 provides a summary of the Government's net assets for 2007 compared to 2006 and 2005 on a cash basis:

	Net Assets		
	<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Cash and Cash Equivalents	\$ 283,529	\$ 272,623	\$ 285,695
Total Assets	<u>283,529</u>	<u>272,623</u>	<u>285,695</u>
 Net Assets			
Restricted for:			
Other Purposes	220,483	237,012	235,907
Unrestricted	63,046	35,611	49,788
Total Net Assets	<u>\$ 283,529</u>	<u>\$ 272,623</u>	<u>\$ 285,695</u>

As mentioned previously, net assets of governmental activities increased \$10,906 or 4.0% percent, and decreased \$13,360 or 4.7%, in 2007 and 2006 respectively.

Franklin Township
Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

Table 2 reflects the changes in net assets in 2007, 2006 and 2005.

	Governmental Activities		
	2007	2006	2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 30,348	\$ 30,654	\$ 46,068
Operating Grants and Contributions	102,297	99,189	96,537
Capital Grants and Contributions	-	-	-
Total Program Receipts	<u>132,645</u>	<u>129,843</u>	<u>142,605</u>
General Receipts:			
Property and other Local Taxes	82,415	83,805	75,785
Grants and Entitlements Not Restricted to Specific Programs	60,706	45,564	33,875
Proceeds from the Sale of Notes	-	-	-
Interest	4,096	5,354	1,715
Miscellaneous	14,294	12,874	6,168
Proceeds from sale of Fixed Assets	-	175	1,400
Other Financing Sources/Uses (net)			6,684
Total General Receipts	<u>161,511</u>	<u>147,772</u>	<u>125,627</u>
Total Receipts	<u>294,156</u>	<u>277,615</u>	<u>268,232</u>
Disbursements:			
General Government	95,714	103,134	50,897
Public Safety	5,098	20,220	47,341
Public Health Services	45,711	67,562	57,282
Public Works	105,907	99,559	77,008
Capital Outlay	30,820	500	10,104
Total Disbursements	<u>283,250</u>	<u>290,975</u>	<u>242,632</u>
Increase (Decrease) in Net Assets	<u>10,906</u>	<u>(13,360)</u>	<u>25,600</u>
Restated Beginning Net Assets (See Note 3)	<u>272,623</u>	<u>285,983</u>	<u>260,095</u>
Net Assets, End of Year	<u>\$ 283,529</u>	<u>\$ 272,623</u>	<u>\$ 285,695</u>

Franklin Township
Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

Program receipts represent only 46.3% and 46.8% of total receipts in 2007 and 2006 respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and from grants restricted for certain capital improvements.

General receipts represent 53.7% and 53.2% of the Township's total receipts in 2007 and 2006 respectively, and of this amount, 52.2% and 56.7% are local taxes. Other sources of general receipts include unrestricted grants and entitlements, interest revenue, and miscellaneous revenues.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the general costs of administration, including salaries and wages. Disbursements classified as public safety are the costs of police and fire protection. Disbursements classified as public works include the costs of maintenance of streets and roads.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 (next) shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2007	2007	2006	2006
General Government	\$ 95,714	\$ 95,614	\$ 103,134	\$ 102,834
Public Safety	5,098	(8,902)	20,220	6,220
Public Works	105,907	3,610	99,559	370
Public Health	45,711	31,408	67,562	53,943
Conservation-Recreation	-	(1,585)	-	(2,735)
Capital Outlay	30,820	30,820	500	500
Total Expenses	<u>\$ 283,250</u>	<u>\$ 150,965</u>	<u>\$ 290,975</u>	<u>\$ 161,132</u>

The dependence upon property and income tax receipts and settlements is apparent as over 52.2%, and 56.7% of governmental activities for 2007 and 2006 respectively, are supported through these general receipts.

The Government's Funds

Total governmental fund had receipts of \$294,156 and \$277,615 in 2007 and 2006 respectively, and had disbursements of \$283,250 and \$290,975 in 2007 and 2006 respectively.

In Fiscal year 2007, the greatest change within governmental funds occurred within the General Fund and the Gasoline Tax Fund.

Franklin Township
Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

During that year, the fund balance of the General Fund increased from \$35,611 to \$63,046 as the result of an increase in intergovernmental receipts and a decrease in health related disbursements.

The Gasoline Tax Fund balance decreased from 79,676 to \$61,422 due to capital outlay expenditures made in 2007.

In Fiscal year 2006, major changes in fund balances occurred within the General Fund, and the Cemetery Fund.

The General Fund balance decreased from \$49,788 to \$35,611 mainly because of an increase in health related disbursements.

The Cemetery Fund balance decreased from \$34,907 to \$26,988, due to a decrease in charges for services receipts.

General Fund Budgeting Highlights

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

During 2007 and 2006, the Township amended its General Fund budgeted appropriations to reflect changing circumstances. General Fund receipts received were \$85,603 and \$73,193 in 2007 and 2006 respectively. Budgeted receipts were \$88,909 and \$73,193 in 2007 and 2006 respectively.

Final disbursements (excluding transfers-out) for 2007 were budgeted at \$73,410, while actual disbursements (excluding transfers-out) were 58,168.

Final disbursements (excluding transfers-out) for 2006 were budgeted at \$97,177 while actual disbursements (excluding transfers-out) were \$87,446.

The Township disbursed 79.2%, and 90.0% of budgeted expenditures in 2007 and 2006 respectively. The Township kept disbursements below budgeted expenditures as required by the Ohio Revised Code.

Capital Assets and Debt Administration

Capital Assets

The Township maintains detailed records of all its capital assets. The Township does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Debt

As of December 31, 2007, the Township had no outstanding debt.

Franklin Township
Adams County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a balanced budget each of the next several years if there are no decreases in the property taxes and no cuts in the Local Government funds, which are now being received as the Trustees have been very prudent in their planning and spending and have not had any debts in several years.

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 Ms. Diane Ward, Fiscal Officer, Franklin Township, Adams County, 989 Poplar Grove Road, Peebles, OH 45660.

Franklin Township
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 283,529
<i>Total Assets</i>	<u><u>\$ 283,529</u></u>
<u>Net Assets:</u>	
Restricted for:	
Other Purposes	\$ 220,483
Unrestricted	63,046
<i>Total Net Assets</i>	<u><u>\$ 283,529</u></u>

See Accompanying Notes to the Financial Statements

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

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<u>Governmental Activities:</u>				
General Government	\$ 95,714	\$ 100	\$ -	\$ (95,614)
Security of Persons and Property	5,098	14,000	-	8,902
Public Works	105,907	-	102,297	(3,610)
Health Services	45,711	14,663	-	(31,048)
Conservation - Recreation	-	1,585	-	1,585
Capital Outlay	30,820	-	-	(30,820)
<i>Total Governmental Activities</i>	\$ 283,250	\$ 30,348	\$ 102,297	\$ (150,605)
General Receipts				
Property and Other Taxes Levied for:				
General Purposes			\$ 19,638	
Cemetery			16,580	
Fire			37,853	
Road and Bridge			8,344	
Grants and Entitlements not Restricted to Specific Programs			60,706	
Interest			4,096	
Miscellaneous			14,294	
<i>Total General Receipts</i>			161,511	
Change in Net Assets			10,906	
<i>Net Assets, Beginning of Year</i>			272,623	
<i>Net Assets, End of Year</i>			\$ 283,529	

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Assets and Fund Balances-Cash Basis-Governmental Funds
December 31, 2007

	General	Gasoline Tax	Cemetery	Fire	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$ 63,046	\$ 61,422	\$ 24,594	\$ 107,510	\$ 26,957	\$ 283,529
<i>Total Assets</i>	<u>\$ 63,046</u>	<u>\$ 61,422</u>	<u>\$ 24,594</u>	<u>\$ 107,510</u>	<u>\$ 26,957</u>	<u>\$ 283,529</u>
<u>Fund Balances:</u>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$ 63,046	\$ -	\$ -	\$ -	\$ -	\$ 63,046
Special Revenue Funds	-	61,422	24,594	107,510	26,957	220,483
<i>Total Fund Balances</i>	<u>\$ 63,046</u>	<u>\$ 61,422</u>	<u>\$ 24,594</u>	<u>\$ 107,510</u>	<u>\$ 26,957</u>	<u>\$ 283,529</u>

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds
For the Year Ended December 31, 2007

	General	Gasoline Tax	Cemetery	Fire	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>						
Property and Other Local Taxes	\$ 19,638	\$ -	\$ 16,580	\$ 37,853	\$ 8,344	\$ 82,415
Charges for Services	-	-	-	14,000	-	14,000
Licenses, Permits and Fees	-	-	15,137	-	-	15,137
Intergovernmental	60,706	86,212	1,211	2,792	13,293	164,214
Interest	3,374	705	-	-	17	4,096
Miscellaneous	1,885	-	11,749	660	-	14,294
Total Receipts	85,603	86,917	44,677	55,305	21,654	294,156
<u>Disbursements:</u>						
Current:						
General Government	51,086	-	4,190	40,438	-	95,714
Public Safety	-	-	-	5,098	-	5,098
Public Works	1,432	77,171	-	-	27,304	105,907
Health	5,650	-	40,061	-	-	45,711
Capital Outlay	-	28,000	2,820	-	-	30,820
Total Disbursements	58,168	105,171	47,071	45,536	27,304	283,250
Net Change in Fund Balances	27,435	(18,254)	(2,394)	9,769	(5,650)	10,906
Fund Balances, Beginning of Year	35,611	79,676	26,988	97,741	32,607	272,623
Fund Balances, End of Year	\$ 63,046	\$ 61,422	\$ 24,594	\$ 107,510	\$ 26,957	\$ 283,529

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 18,834	\$ 19,932	\$ 19,638	\$ (294)
Intergovernmental	19,029	27,925	60,706	32,781
Interest	500	1,817	3,374	1,557
Miscellaneous	6,000	39,235	1,885	(37,350)
<i>Total Receipts</i>	44,363	88,909	85,603	(3,306)
<u>Disbursements:</u>				
Current:				
General Government	63,031	64,210	51,086	13,124
Public Works	1,500	1,500	1,432	68
Health	6,200	7,200	5,650	1,550
Capital Outlay	500	500	-	500
<i>Total Disbursements</i>	71,231	73,410	58,168	15,242
Excess of Receipts Over (Under) Disbursements	(26,868)	15,499	27,435	11,936
Net Change in Fund Balance	(26,868)	15,499	27,435	11,936
Fund Balance, Beginning of Year	35,611	35,611	35,611	-
Fund Balance, End of Year	\$ 8,743	\$ 51,110	\$ 63,046	\$ 11,936

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Gasoline Tax Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$ 85,000	\$ 86,212	\$ 86,212	\$ -
Interest	400	705	705	-
<i>Total Receipts</i>	85,400	86,917	86,917	-
<u>Disbursements:</u>				
Current:				
Public Works	79,388	80,387	77,171	3,216
Capital Outlay		28,000	28,000	-
<i>Total Disbursements</i>	79,388	108,387	105,171	3,216
Excess of Receipts Over (Under) Disbursements	6,012	(21,470)	(18,254)	3,216
Fund Balance, Beginning of Year	79,676	79,676	79,676	-
Fund Balance, End of Year	\$ 85,688	\$ 58,206	\$ 61,422	\$ 3,216

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Cemetery Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 16,630	\$ 16,630	\$ 16,580	\$ (50)
Licenses, Permits and Fees	19,600	19,600	15,137	(4,463)
Intergovernmental	4,900	1,220	1,211	(9)
Miscellaneous	1,015	6,950	11,749	4,799
				-
<i>Total Receipts</i>	42,145	44,400	44,677	277
<u>Disbursements:</u>				
Current:				
General Government	2,189	4,189	4,190	(1)
Health	49,210	51,460	40,061	11,399
Capital Outlay	4,200	3,700	2,820	880
<i>Total Disbursements</i>	55,599	59,349	47,071	12,278
Excess of Receipts Over (Under) Disbursements	(13,454)	(14,949)	(2,394)	12,555
<u>Other Financing Sources (Uses):</u>				
Other Financing Sources	50	50	-	(50)
<i>Total Other Financing Sources (Uses)</i>	50	50	-	(50)
Net Change in Fund Balance	(13,404)	(14,899)	(2,394)	12,505
Fund Balance, Beginning of Year	26,988	26,988	26,988	-
Fund Balance, End of Year	\$ 13,584	\$ 12,089	\$ 24,594	\$ 12,505

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Fire Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 38,700	\$ 23,000	\$ 37,853	\$ 14,853
Charge for Service	14,000	6,000	14,000	8,000
Intergovernmental	3,000	1,000	2,792	1,792
Miscellaneous	150	150	660	510
<i>Total Receipts</i>	55,850	30,150	55,305	25,155
<u>Disbursements:</u>				
General Government	56,324	56,324	40,438	15,886
Public Safety	21,500	21,500	5,098	16,402
<i>Total Disbursements</i>	77,824	77,824	45,536	32,288
Excess of Receipts Over (Under) Disbursements	(21,974)	(47,674)	9,769	57,443
Fund Balance, Beginning of Year	97,741	97,741	97,741	-
Fund Balance, End of Year	\$ 75,767	\$ 50,067	\$ 107,510	\$ 57,443

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 272,623
<i>Total Assets</i>	<u><u>\$ 272,623</u></u>
<u>Net Assets:</u>	
Restricted for:	
Other Purposes	\$ 237,012
Unrestricted	35,611
<i>Total Net Assets</i>	<u><u>\$ 272,623</u></u>

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<i>Governmental Activities:</i>				
General Government	\$ 103,134	\$ 300	\$ -	\$ (102,834)
Security of Persons and Property	20,220	14,000	-	(6,220)
Public Works	99,559	-	99,189	(370)
Health Services	67,562	13,619	-	(53,943)
Conservation - Recreation	-	2,735	-	2,735
Capital Outlay	500	-	-	(500)
<i>Total Governmental Activities</i>	290,975	30,654	99,189	(161,132)
General Receipts				
Property and Other Taxes Levied for:				
General Purposes				18,760
Cemetery				17,174
Fire				39,343
Road and Bridge				8,528
Grants and Entitlements not Restricted to Specific Programs				45,564
Proceeds from the Sale of Fixed Asset				175
Interest				5,354
Miscellaneous				12,874
<i>Total General Receipts</i>				147,772
Change in Net Assets				(13,360)
<i>Restated Net Assets, Beginning of Year</i>				285,983
<i>Net Assets, End of Year</i>				\$ 272,623

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Assets and Fund Balances-Cash Basis-Governmental Funds
December 31, 2006

	General	Gasoline Tax	Cemetery	Fire	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$ 35,611	\$ 79,676	\$ 26,988	\$ 97,741	\$ 32,607	\$ 272,623
<i>Total Assets</i>	<u>\$ 35,611</u>	<u>\$ 79,676</u>	<u>\$ 26,988</u>	<u>\$ 97,741</u>	<u>\$ 32,607</u>	<u>\$ 272,623</u>
<u>Fund Balances:</u>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$ 35,611	\$ -	\$ -	\$ -	\$ -	\$ 35,611
Special Revenue Funds	-	79,676	26,988	97,741	32,607	237,012
<i>Total Fund Balances</i>	<u>\$ 35,611</u>	<u>\$ 79,676</u>	<u>\$ 26,988</u>	<u>\$ 97,741</u>	<u>\$ 32,607</u>	<u>\$ 272,623</u>

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds
For the Year Ended December 31, 2006

	General	Gasoline Tax	Cemetery	Fire	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>						
Property and Other Local Taxes	\$ 18,760	\$ -	\$ 17,174	\$ 39,343	\$ 8,528	\$ 83,805
Charges for Services	-	-	-	14,000	-	14,000
Licenses, Permits and Fees	-	-	10,511	-	-	10,511
Intergovernmental	46,366	86,201	1,196	3,518	13,615	150,896
Interest	4,720	579	-	-	55	5,354
Miscellaneous	3,347	200	4,112	5,215	-	12,874
Total Receipts	73,193	86,980	32,993	62,076	22,198	277,440
<u>Disbursements:</u>						
Current:						
General Government	54,570	-	4,306	44,258	-	103,134
Public Safety	-	-	-	20,220	-	20,220
Public Works	1,420	75,361	-	-	22,778	99,559
Health	31,456	-	36,106	-	-	67,562
Capital Outlay	-	-	500	-	-	500
Total Disbursements	87,446	75,361	40,912	64,478	22,778	290,975
Net Change in Fund Balances	(14,253)	11,619	(7,919)	(2,402)	(580)	(13,535)
<u>Other Financing Sources (Uses):</u>						
Proceeds from the Sale of Fixed Assets	75	-	-	100	-	175
Total Other Financing Sources (Uses)	75	-	-	100	-	175
Net Change in Fund Balances	(14,178)	11,619	(7,919)	(2,302)	(580)	(13,360)
Restated Fund Balances, Beginning of Year	49,789	68,057	34,907	100,043	33,187	285,983
Fund Balances, End of Year	\$ 35,611	\$ 79,676	\$ 26,988	\$ 97,741	\$ 32,607	\$ 272,623

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 16,101	\$ 18,760	\$ 18,760	\$ -
Intergovernmental	44,530	46,212	46,366	154
Interest	200	4,645	4,720	75
Miscellaneous	5,860	3,576	3,347	(229)
<i>Total Receipts</i>	66,691	73,193	73,193	-
<u>Disbursements:</u>				
Current:				
General Government	73,166	62,378	54,570	7,808
Public Works	1,700	1,700	1,420	280
Health	32,300	32,300	31,456	844
Capital Outlay	500	500	-	500
<i>Total Disbursements</i>	107,666	96,878	87,446	9,432
Excess of Receipts Over (Under) Disbursements	(40,975)	(23,685)	(14,253)	9,432
<u>Other Financing Sources (Uses):</u>				
Sale of Fixed Assets	-	-	75	75
<i>Total Other Financing Sources (Uses)</i>	-	-	75	75
Net Change in Fund Balance	(40,975)	(23,685)	(14,178)	9,507
Fund Balance, Beginning of Year	49,789	49,789	49,789	-
Fund Balance, End of Year	\$ 8,814	\$ 26,104	\$ 35,611	\$ 9,507

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$ 81,263	\$ 58,803	\$ 86,201	\$ 27,398
Interest	400	300	579	279
Miscellaneous	-	150	200	50
<i>Total Receipts</i>	81,663	59,253	86,980	27,727
<u>Disbursements:</u>				
Current:				
Public Works	73,077	93,077	75,361	17,716
<i>Total Disbursements</i>	73,077	93,077	75,361	17,716
Excess of Receipts Over (Under) Disbursements	8,586	(33,824)	11,619	(45,443)
Fund Balance, Beginning of Year	68,057	68,057	68,057	-
Fund Balance, End of Year	\$ 76,643	\$ 34,233	\$ 79,676	\$ 45,443

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Cemetery Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 16,480	\$ 17,174	\$ 17,174	\$ -
Licenses, Permits and Fees	19,600	10,511	10,511	-
Intergovernmental	1,200	1,196	1,196	-
Miscellaneous	7,000	4,112	4,112	-
<i>Total Receipts</i>	44,280	32,993	32,993	-
<u>Disbursements:</u>				
Current:				
General Government	4,306	4,306	4,306	-
Health	51,960	52,460	36,106	16,354
Capital Outlay	1,200	1,200	500	700
<i>Total Disbursements</i>	57,466	57,966	40,912	17,054
Excess of Receipts Over (Under) Disbursements	(13,186)	(24,973)	(7,919)	17,054
Restated Fund Balance, Beginning of Year	34,907	34,907	34,907	-
Fund Balance, End of Year	\$ 21,721	\$ 9,934	\$ 26,988	\$ 17,054

See Accompanying Notes to the Financial Statements

Franklin Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Fire Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 37,415	\$ 39,343	\$ 39,343	\$ -
Charge for Service	14,000	14,000	14,000	-
Intergovernmental	2,727	2,818	3,518	700
Miscellaneous	150	6,015	5,215	(800)
<i>Total Receipts</i>	54,292	62,176	62,076	(100)
<u>Disbursements:</u>				
General Government	57,111	58,661	44,258	14,403
Public Safety	21,500	21,400	20,220	1,180
<i>Total Disbursements</i>	78,611	80,061	64,478	15,583
Excess of Receipts Over (Under) Disbursements	(24,319)	(17,885)	(2,402)	15,483
Restated Fund Balance, Beginning of Year	100,043	100,043	100,043	-
Fund Balance, End of Year	\$ 75,724	\$ 82,158	\$ 97,641	\$ 15,483

See Accompanying Notes to the Financial Statements

Franklin Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

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 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 non-exchange transactions.

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 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

Franklin Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity 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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are only governmental funds.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purpose for which they may or must be used. The following are the Township's major 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 the constructing, maintaining and repairing Township roads.

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

Fire Fund – The fire fund receives local taxes for providing and maintaining fire apparatus, appliances, building, and the payment of permanent, part-time, or volunteer firemen.

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

Franklin Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

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 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 Clerk. 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.

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

Franklin Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

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 2007 and 2006, 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 2007 and 2006 was \$3,374 and \$4,720, respectively, and \$722 and \$634 respectively, credited to other Township funds.

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 \$220,483 of a total fund balance of \$283,529 in 2007 and \$ 237,012 of a total fund balance of \$272,623 in 2006.

Note 3 – Restatement of Fund Balance

During 2006 , the Township voided checks from 2004-2005 audit period. A restatement is necessary to correct the amount shown on the following financial statements

	<u>Cemetery Fund</u>	<u>Fire Fund</u>
Fund Balance, December 31, 2005	\$ 34,703	\$ 99,960
Restatement of Equity in Pooled Cash and Cash Equivalents	204	83
Fund Balance December, 31 2005, as Restated	<u>\$ 34,907</u>	<u>\$ 100,043</u>

Franklin Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

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 differences between the budgetary basis and the cash basis are outstanding year end encumbrances, and 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 Township has 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 may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that 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.

Franklin Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

Note 5 – Deposits and Investments (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 (STAROhio).

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 for deposits 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. Fiscal year end at December 31, 2007 and December 31, 2006, the Township's bank balances were \$297,804 and \$285,850, respectively, of which, 183,529 and \$172,623 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.

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 2007 represent the collection of 2006 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 2006 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2006, 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.

Franklin Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

Note 6 – Property Taxes (Continued)

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, 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.

The full tax rate for all Township operations for the years ended December 31, 2007 and 2006, were \$5.37 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 and 2006 property tax receipts were based are as follows:

Real Property:	<u>2007</u>	<u>2006</u>
Agricultural/ Residential	\$ 11,371,170	\$ 11,260,200
Commercial / industrial / Mineral	877,420	1,030,270
Tangible Personal Property:		
General	916,340	1,719,440
Public utility Real	2,432,060	2,539,270
Total Assessed Value	<u>\$ 15,596,990</u>	<u>\$ 16,549,180</u>

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 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

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 PEP’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

Franklin Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

Note 7 – Risk Management (Continued)

Property Coverage

Through 2006, 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 2007, Travelers reinsures specific losses exceeding \$250,000 up to \$600 miller 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 provide 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 2007 (latest information available) was \$2,014,548.

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 contributions, minus the subsequent year's contributions. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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.

	2007	2006
Assets	\$43,210,706	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained Earnings	\$29,852,869	\$ 29,921,614

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, 2007 and 2006, respectively. OTARMA will collect these amounts in the future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$7,684 for 2007 and \$7,377, for 2006.

Franklin Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer 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.

A. Ohio Public Employees Retirement System (continued)

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

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

For the years ended December 31, 2007 and December 31, 2006, the members of all three plans were required to contribute 9.5 percent and 9.0 percent respectively of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 and 2006 were 13.85 and 13.70 percent respectively. 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 \$10,284, \$9,925, and \$7,405 respectively. The full amount has been contributed for 2007, 2006 and 2005.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit 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 2006 and 2007 local government employer contribution rate was 13.85 and 13.7 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Franklin Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

Note 9 - Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

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 (latest information available), include a rate of return on investments of 6.50 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 costs were assumed to increase between 0.5 to 5.50 percent annually for the next eight years and 4.00 percent annually after eight 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.

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2007 and 2006 which were used to fund postemployment benefits were \$10,284.24 and \$9,925.20. 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, (the latest information available) were \$12 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) 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. Member and employer contributions rate increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 10 - Debt

The Township's had no outstanding debt as of December 31, 2007.

Note 11 - Compliance

Ohio Rev. Code 5705.41(D) states that no orders of contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The Township did not properly certify the availability of funds prior to obligation for 14.1% or \$15,672 in 2006 and 9.1% or 9,773 in 2007.

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Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

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

Board of Trustees
Franklin Township
Adams County
29670 State Route 41
Peebles, Ohio 45697

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Franklin Township (the Township), Adams County, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's financial statements, and have issued our report thereon dated January 15, 2009, wherein we noted the Township uses cash-basis accounting, a basis of accounting other than generally accepted accounting principles. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or 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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. The results of our tests disclosed no instances of significant internal control deficiencies that are required to be reported under *Government Auditing Standards*.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. The results of our tests disclosed no significant deficiencies that are also considered to be material weaknesses that are required to be reported under *Government Auditing Standards*.

Franklin Township
Adams County

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as item 2007-001.

We noted certain matters that we reported to the Township's management in a separate letter dated January 15, 2009.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings Responses. We did not audit the Township's responses and, accordingly, we express no opinion in them.

This report is intended for the information and use of management, and the Township's trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

January 15, 2009

FRANKLIN TOWNSHIP
ADAMS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D) (1)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D) (1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due.

The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Township did not properly certify the availability of funds prior to obligation for 9.1% or \$9,773 of purchases tested in 2006 and 14.1% or \$15,672 of the purchases tested in 2007

We recommend the Township implement policies to ensure that all purchases first have monies certified by the Fiscal Officer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

Township Response:

Township officials will monitor the proper certifying of expenditures more closely.



Mary Taylor, CPA
Auditor of State

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
APRIL 7, 2009**