

***FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Franklin Township
11730 Flint Ridge Road S.E.
Newark, Ohio 43056

We have reviewed the *Report of Independent Accountants* of Franklin Township, Licking County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

October 16, 2007

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**FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2006 & 2005**

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REPORT OF INDEPENDENT ACCOUNTANTS

Franklin Township
Licking County
11730 Flint Ridge Road
Newark, Ohio 43056

To the Board of Trustees:

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

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

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

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Charles E. Harris & Associates, Inc.

September 15, 2007

FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2005

	Governmental Fund Types				Fiduciary	Totals- (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Nonexpendable Trust	
Receipts:						
Property and Local Taxes	\$ 85,859	\$ 157,356	\$ 11,826	\$ -	\$ -	\$ 255,041
Licenses, Permits, and Fees	3,825	1,800	-	-	-	5,625
Intergovernmental	53,762	134,339	-	155,712	-	343,813
Earnings on Investments	3,062	798	-	-	108	3,968
Miscellaneous	165	5,128	-	-	-	5,293
Total Receipts	146,673	299,421	11,826	155,712	108	613,740
Disbursements:						
General Government	92,045	-	-	-	-	92,045
Public Safety	-	52,994	-	-	-	52,994
Public Works	75,372	223,239	-	-	-	298,611
Health	7,573	6,611	-	-	-	14,184
Capital Outlay	13,044	49,535	-	155,712	-	218,291
Debt Service:						
Redemption of Principal	-	-	10,706	-	-	10,706
Interest and Other Fiscal Charges	-	-	1,120	-	-	1,120
Total Disbursements	188,034	332,379	11,826	155,712	-	687,950
Total Receipts Over/(Under)						
Disbursements	(41,361)	(32,958)	-	-	108	(74,211)
Other Financing Sources/(Uses):						
Loan Proceeds	-	49,535	-	-	-	49,535
Transfers-In	395	9,867	-	-	-	10,262
Transfer-Out	-	(10,262)	-	-	-	(10,262)
Total Other Financing Sources/(Uses)	395	49,140	-	-	-	49,535
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(40,966)	16,182	-	-	108	(24,676)
Fund Cash Balance, January 1, 2005	62,613	119,579	383	-	4,097	186,672
Fund Cash Balance, December 31, 2005	\$ 21,646	\$ 135,762	\$ 383	\$ -	\$ 4,205	\$ 161,996
Reserve For Encumbrances, December 31, 2005	\$ 50	\$ 1,105	\$ -	\$ -	\$ -	\$ 1,155

See Accompanying Notes to the Financial Statements.

FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2006

	Governmental Fund Types				Totals- (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent Fund	
Receipts:					
Property and Local Taxes	\$ 93,661	\$ 165,944	\$ 10,129	\$ -	\$ 269,734
Licenses, Permits, and Fees	3,038	2,800	-	-	5,838
Intergovernmental	44,268	127,851	1,241	-	173,360
Earnings on Investments	7,500	1,514	-	63	9,077
Miscellaneous	2,468	3,807	-	-	6,275
Total Receipts	150,935	301,916	11,370	63	464,284
Disbursements:					
General Government	106,511	-	-	-	106,511
Public Safety	-	76,425	-	-	76,425
Public Works	31,421	240,860	-	-	272,281
Health	9,558	6,720	-	200	16,478
Debt Service:					
Redemption of Principal	-	-	20,496	-	20,496
Interest and Other Fiscal Charges	-	-	2,679	-	2,679
Total Disbursements	147,490	324,005	23,175	200	494,870
Total Receipts Over/(Under)					
Disbursements	3,445	(22,089)	(11,805)	(137)	(30,587)
Other Financing Sources/(Uses):					
Sale of Fixed Assets	-	2,628	-	-	2,628
Transfers-In	-	-	11,826	-	11,826
Transfer-Out	-	(11,826)	-	-	(11,826)
Advances-In	-	11,000	11,000	-	22,000
Advances-Out	-	(11,000)	(11,000)	-	(22,000)
Other Financing Sources	-	-	226	-	226
Total Other Financing Sources/(Uses)	-	(9,198)	12,052	-	2,854
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	3,445	(31,287)	247	(137)	(27,733)
Fund Cash Balance, January 1, 2006	21,646	135,762	383	4,205	161,996
Fund Cash Balance, December 31, 2006	\$ 25,091	\$ 104,475	\$ 630	\$ 4,068	\$ 134,263
Reserve For Encumbrances, December 31, 2006	\$ 20,000	\$ 620	\$ -	\$ -	\$ 20,620

See Accompanying Notes to the Financial Statements.

FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Franklin Township, Licking County (the Township) is a body corporate and politic established for the purpose of exercising 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 provides road and bridge maintenance and cemetery maintenance. The Township contracts with Licking Township, the National Trails Volunteer Fire Department, and the City of Heath for fire protection and ambulance services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. 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 disbursements, respectively.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

**FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township has the following significant Special Revenue funds:

- Gasoline Tax Fund-Receives gas tax money for street repairs.
- Road and Bridge Fund-Receives monies to repair roads and bridges.
- Fire Levy Fund-Receives property taxes for fire protection.

Debt Service Fund: This fund is used to accumulate resources for the payment of indebtedness. The Township had the following significant Debt Service Fund:

- General Note Retirement-Receives property taxes for debt retirement.

Capital Projects Fund: This fund is used to account for resources to be used for the acquisition or construction of capital assets. The Township has the following significant Capital Projects Funds:

- Issue II –Receives intergovernmental revenue for various projects.

Fiduciary Fund Type: These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Fund:

Nonexpendable Trust Fund:

- Cemetery-Receives donations for cemetery maintenance.

FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Clerk by September 1.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2005 and 2006. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$130,341	\$157,868
Certificates of Deposit	3,922	4,128
Total	<u>\$134,263</u>	<u>\$161,996</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

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

<u>Fund:</u>	<u>2006 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 155,641	\$ 150,935	\$ (4,706)
Special Revenue Funds	302,395	304,544	2,149
Debt Service Fund	22,989	23,196	207
Nonexpendable Trust	125	63	(62)

FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

4. BUDGETARY ACTIVITY – Continued

2006 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 165,383	\$ 167,490	\$ (2,107)
Special Revenue Funds	397,324	336,451	60,873
Debt Service Fund	11,545	23,175	(11,630)
Nonexpendable Trust	425	200	225

2005 Budgeted vs Actual Receipts

<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 143,885	\$ 147,068	\$ 3,183
Special Revenue Funds	289,572	358,823	69,251
Debt Service Fund	11,826	11,826	-
Capital Projects Fund	181,270	155,712	(25,558)
Nonexpendable Trust	125	108	(17)

2005 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 196,869	\$ 188,084	\$ 8,785
Special Revenue Funds	367,264	343,746	23,518
Debt Service Fund	12,208	11,826	382
Capital Projects Fund	-	155,712	(155,712)
Nonexpendable Trust	316	-	316

Advances are not required to be budgeted, therefore are excluded from the amounts above.

5. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS), a state operated, cost sharing, multiple employer plans. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their gross pay in 2005 and 9.0% in 2006 while the Township contributed an amount equal to 13.55% of covered payroll in 2005 and 13.70% in 2006. The Township paid all required contributions through 2006.

**FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

6. RISK MANAGEMENT

RISK POOL MEMBERSHIP

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

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

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

Casualty Coverage

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

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

Property Coverage

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

**FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

6. RISK MANAGEMENT – (Continued)

RISK POOL MEMBERSHIP

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 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 2006 was \$1,901,127.

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

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

Financial Position

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

Casualty Coverage	2006	2005
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$ 7,771,765</u>

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

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$411.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$16,790.

**FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

6. RISK MANAGEMENT – (Continued)

This payable includes the subsequent year's contribution due if the Township terminates participation as described in the last paragraph below.

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

Contributions to OTARMA	
2004	\$6,959
2005	\$8,204
2006	\$8,395

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

7. DEBT

Debt outstanding at December 31, 2006 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Equipment Loan	<u>\$ 40,328</u>	4.09%

Principal and interest requirements for debt outstanding at December 31, 2006 is as follows:

<u>Year Ended</u>	<u>Equipment Loan</u>
2007	\$ 11,156
2008	11,156
2009	11,156
2010	11,156
Total	<u>\$ 44,624</u>

**FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

8. INTERFUND TRANSFERS

Transfers were in accordance with budgetary authorizations and Ohio Revised Code provisions as follows:

The FEMA special revenue fund receives grant monies and transfers those monies to funds which expended monies in accordance with the grant agreement. In 2005, transfers amounted to \$10,262, of which \$395 was transferred to the General Fund for reimbursement of disbursements.

The Road & Bridge Fund transfers funds to the General Note Retirement Fund to fund principal and interest payments. Transfers amounted to \$11,826 in 2006.

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. FUND BALANCE RESTATEMENT

In accordance with Audit of State Bulletin 2005-05, as of January 1, 2006, the Non-Expendable Trust Fund was reclassified to the Permanent Fund.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Franklin Township
Licking County
P.O. Box 755
Utica, Ohio 43080

To the Board of Trustees:

We have audited the financial statements of Franklin Township, Licking County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 15, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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

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 accounting practices prescribed or permitted by the Auditor of State 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. We consider the deficiency described in the accompanying schedule of audit findings, item 2006-FRAN-02, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant 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 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 internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

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, grant agreements and other matters, 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 as item 2006-FRAN-01.

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

Charles E. Harris and Associates, Inc.

September 15, 2007

**FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
For the Years Ended December 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2006-FRAN-01 Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds. The following funds had total expenditures plus encumbrances in excess of appropriations:

2006

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
General Fund	\$165,383	\$167,490	\$(2,107)
Special-Gas	\$89,456	\$115,786	\$(26,330)
Debt Service	\$11,545	\$23,175	\$(11,630)

2005

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Special-R&B	\$125,605	\$171,570	\$(45,965)
Special-FEMA	-	\$10,263	\$(10,263)
Special-Issue II	-	\$155,712	\$(155,712)

Since these funds were over appropriated at the fund level, the legal level of control violations were not disclosed.

We recommend the Board and the Clerk compare expenditures to appropriations periodically. If additional appropriations are needed, then the Board and the Clerk should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

Management agrees and will monitor expenditures compared to appropriations.

**FRANKLIN TOWNSHIP
LICKING COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
For the Years Ended December 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2006-FRAN-02 Material Weakness

In 2005 a truck was purchased with a bank loan in the amount of \$49,535, however, neither the loan nor the capital outlay was recorded. Accordingly, capital expenditures and loan proceeds were underreported by \$49,535. The financial statements have been adjusted to reflect the proper presentation

We recommend that fixed asset purchases financed with debt be recorded as a capital outlay with a corresponding entry recognizing the loan proceeds.

Management agrees and will record all loan proceeds and the corresponding capital outlay in the future.

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ending December 31, 2004 and 2003, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

FRANKLIN TOWNSHIP

LICKING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2007**