

**FRANKLIN TOWNSHIP
MERCER COUNTY
Regular Audit
December 31, 2007 and 2006**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Franklin Township
6805 State Route 219
Celina, Ohio 45822

We have reviewed the *Independent Accountants' Report* of Franklin Township, Mercer County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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.

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

Mary Taylor, CPA
Auditor of State

June 6, 2008

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**FRANKLIN TOWNSHIP
MERCER COUNTY**

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MERCER COUNTY**

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Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

April 30, 2008

Franklin Township
Mercer County
6805 State Route 219
Celina, OH 45822

To the Board of Trustees:

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

As described more fully in Note 2, the Township has prepared these financial statements following the cash basis of accounting. These practices differ from accounting principles generally accepted in the United States of America (GAAP).

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, Mercer County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax and the Road & Bridge Funds in 2007 and the General and Gasoline Tax Funds in 2006 thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

This discussion and analysis of the Franklin Township, Mercer County's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's cash basis accounting.

Highlights

Key highlights for 2007 are as follows:

Net assets of Township activities increased \$222,980, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General Fund and the Road and Bridge Fund.

The Township's general receipts are made up mainly of property taxes, intergovernmental and the sale of notes receipts. These receipts represent respectively \$716,426 of the total cash received for Township activities during the year.

The Township purchased right of way and land from the following for the building of a walking path along Route 219 and greenspace. The following eleven parcels and the fifty acres were made possible by a grant from Ohio Public Works of \$638,390 and \$75,000 from Land and Water Fund:

1. John and Lee Ann Dorsten
2. Evert and Ruth Dorsten
3. Doris E. Deeter
4. Jennifer Keithley
5. John D. Keithley
6. John S. and Daleen Keithley
7. Carol J. Gaston
8. William and Alice Benazer
9. Wallace and Irene Klosterman
10. Daniel and Christine Riemesch
11. Michael and Linda Klosterman (Settlement Date January 3, 2008)

Fifty acres was purchased from the John R and Wanda Gilliland Trust for greenspace. The appraised value was \$552,000. The Township paid \$418; Grant funds totaled \$456,516 and a gift from Susan D. Gilliland for \$95,384.

The following donations from business and residences of Franklin Township:

1. Southshore Sportsman Club	\$ 2,333
2. Lake Improvement Association	20,000
3. Evert and Ruth Dorsten	500
4. John S Keithley	500
5. Jennifer L. Keithley	1,000
6. Doris E. Deeter	1,000
7. John D. Keithley	1,000
8. Fanning and Howey	10,000
9. Susan D. Gilliland	100,616
10. Midwest Electric	1,500
Received in January 2008	
11. Wallace and Irene Klosterman	3,640
12. Carol J. Gaston	7,967
13. Southshore Sportsman Club	2,362

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

Reporting the Township as a Whole (Continued)

Activities of the Township are listed in the Statement of Net Assets and Statement of Activities:

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

Reporting the Township's Most Significant Funds

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

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

The Township as a Whole

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

	Table 1		
	Net Assets		
	Governmental Activities		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Cash and Cash Equivalents	\$ 50,117	\$ 16,107	\$ 196,587
Investments	354,507	165,537	-
Total Assets	<u><u>\$ 404,624</u></u>	<u><u>\$ 181,644</u></u>	<u><u>\$ 196,587</u></u>
Net Assets			
Restricted for:			
Capital Projects	\$ 45,962	\$ 39,914	\$ 40,255
Other Purposes	169,743	51,893	77,528
Unrestricted	188,919	89,837	78,804
Total Net Assets	<u><u>\$ 404,624</u></u>	<u><u>\$ 181,644</u></u>	<u><u>\$ 196,587</u></u>

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

The Township as a Whole (Continued)

As mentioned previously total net assets of Township activities increased \$222,980 during 2007. The primary reasons contributing to the increase in cash balances are as follows:

- The payment to complete Burdge, Guadalupe and Cassella/Montezuma roads was not made in 2007. Shelly, the road contractor, billed the township late for payment in 2007 causing a large carry over of \$100,000 in the Road and Bridge Fund.
- Also the donations received by the Township in the General Fund, of over \$100,000, is the reason for a large carry over. See page 1 for a breakdown of donations.

Table 2 reflects the changes in net assets on a cash basis in 2007, 2006 and 2005 for governmental activities and total primary government.

**Table 2
Changes in Net Assets**

	Governmental Activities		
	2007	2006	2005
Receipts			
Program Receipts:			
Charges for Services and Sales	\$ 2,225	\$ 4,920	\$ 47,858
Operating Grants and Contributions	108,596	106,190	288,598
Capital Grants and Contributions	681,168	815,231	-
Total Program Receipts	<u>791,989</u>	<u>926,341</u>	<u>336,456</u>
General Receipts:			
Property and Other Local Taxes	244,857	235,059	216,841
Sales of Notes	134,200	45,600	57,000
Grants and Entitlements Not Restricted to Specific Programs	102,288	198,469	151,052
Cable Franchise Fee	13,946	-	11,771
Interest	9,400	8,046	3,443
Miscellaneous	211,735	138,278	8,451
Total General Receipts	<u>716,426</u>	<u>625,452</u>	<u>448,558</u>
Total Receipts	<u>1,508,415</u>	<u>1,551,793</u>	<u>785,014</u>
Disbursements			
General Government	144,645	132,759	113,075
Public Safety	71,010	67,297	67,473
Public Works	123,551	257,291	247,236
Public Health Services	14,542	10,916	13,297
Conservation- Recreation	42,373	1,000	900
Miscellaneous	-	-	982
Capital Outlay	790,833	982,348	266,970
Principal Retirement	92,453	106,551	48,153
Interest and Fiscal Charges	6,028	8,574	8,030
Total Disbursements	<u>1,285,435</u>	<u>1,566,736</u>	<u>766,116</u>
Increase (Decrease) in Net Assets	222,980	(14,943)	18,898
Net Assets January 1	181,644	196,587	177,689
Net Assets December 31	<u>\$ 404,624</u>	<u>\$ 181,644</u>	<u>\$ 196,587</u>

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

Governmental Activities

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

**Table 3
Governmental Activities**

	Total Cost Of Services 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$ 144,645	\$ (144,645)	\$ 132,759	\$ (132,759)	\$ 113,075	\$ (70,002)
Public Safety	71,010	(68,785)	67,297	(62,797)	67,473	(62,968)
Public Works	123,551	(14,955)	257,291	(151,101)	247,237	41,362
Public Health Services	14,542	(14,542)	10,916	(10,496)	13,297	(13,017)
Conservation/Recreation	42,373	(42,373)	1,000	(1,000)	900	(900)
Other	-	-	-	-	982	(982)
Capital Outlay	790,833	(109,665)	982,348	(167,117)	266,970	(266,970)
Principal Retirement	92,400	(92,400)	106,551	(106,551)	48,153	(48,153)
Interest and Fiscal Charges	6,081	(6,081)	8,574	(8,574)	8,030	(8,030)
Total Expenses	<u>\$ 1,285,435</u>	<u>\$ (493,446)</u>	<u>\$ 1,566,736</u>	<u>\$ (640,395)</u>	<u>\$ 766,117</u>	<u>\$ (429,660)</u>

The dependence upon capital grants and contributions receipts is apparent as 53 percent of governmental activities are supported through these receipts. The Township had no business-type activities.

The Township's Funds

Total governmental funds had receipts of \$1,508,415 and disbursements of \$1,285,435, not including transfers and advances. The greatest change within governmental funds occurred within the General Fund and the Road and Bridge Fund. During 2007, the fund balance of the General Fund increased \$99,082 and the Road and Bridge fund increased \$105,817. The donations to the General Fund and the late billing by the Shelly benefited the carry over. Also, Franklin Township purchased 50 acres of Greenspace from Gilliland Estate for \$552,000 the appraised price. With the State Grants and another gift from the Gilliland's the Township cost was small. (See highlights on page one.)

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

General Fund Budgeting Highlights

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

During 2007, the Township amended its budget to reflect changing circumstances. Several amended certificates were requested during the year to cover increases in budget amounts.

Final disbursements were budgeted at \$1,469,554, while actual disbursements were \$1,415,435. Receipts lived up to expectations, and it was not necessary to reduce appropriations. The Township used fiscal responsibility and spent very close to budgeted amounts.

Debt Administration

Debt

At December 31, 2007, the Township's outstanding debt was \$206,348. For further information regarding the Township's debt, refer to Note 9 – Debt on page 26 of the Notes to the basic financial statements.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. With the discussion of the Local Government Funds being eliminated, also the estate tax, the liquor license being reduced to 35 percent and the cable franchise fees being controlled by the state, we realize that our sources of revenue will not increase. To reduce expenses, the Township has aggressively applied for grants to fund needed projects.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Evert E. Dorsten, Fiscal Officer, Franklin Township, 6805 State Route 219, Celina, Ohio 45822.

Franklin Township, Mercer County
Statement of Net Assets - Cash Basis
For the Year Ended December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 50,117
Investments	<u>354,507</u>
<i>Total Assets</i>	<u><u>404,624</u></u>
Net Assets	
Restricted for:	
Capital Projects	45,962
Other Purposes	169,743
Unrestricted	<u>188,919</u>
<i>Total Net Assets</i>	<u><u>\$ 404,624</u></u>

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

Franklin Township, Mercer County
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	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 144,645	\$ -	\$ -	\$ -	\$ (144,645)
Public Safety	71,010	2,225	-	-	(68,785)
Public Works	123,551	-	108,596	-	(14,955)
Health	14,542	-	-	-	(14,542)
Conservation- Rereation	42,373	-	-	-	(42,373)
Capital Outlay	790,833	-	-	681,168	(109,665)
Debt Service:					
Principal	92,453	-	-	-	(92,453)
Interest	6,028	-	-	-	(6,028)
<i>Total Governmental Activities</i>	<u>\$ 1,285,435</u>	<u>\$ 2,225</u>	<u>\$ 108,596</u>	<u>\$ 681,168</u>	<u>\$ (493,446)</u>
General Receipts					
Property Taxes					244,857
Grants and Entitlements not Restricted to Specific Programs					102,288
Sale of Notes					134,200
Cable Franchise Fees					13,946
Interest					9,399
Miscellaneous					211,736
<i>Total General Receipts</i>					<u>716,426</u>
Change in Net Assets					<u>222,980</u>
<i>Net Assets Beginning of Year</i>					<u>181,644</u>
<i>Net Assets End of Year</i>					<u>\$ 404,624</u>

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

Franklin Township, Mercer County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Gasoline Tax	Road and Bridge	OPWC CMDAB Greenway Phase II	Fire Tanker	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$ 18,722	\$ 14,431	\$ 11,276	\$ 1,258	\$ 743	\$ 3,687	\$ 50,117
Investments	170,197	35,600	104,749	-	43,961	-	354,507
<i>Total Assets</i>	<u>188,919</u>	<u>50,031</u>	<u>116,025</u>	<u>1,258</u>	<u>44,704</u>	<u>3,687</u>	<u>404,624</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	485	-	-	-	-	-	485
Unreserved:							
General Fund	188,434	-	-	-	-	-	188,434
Special Revenue Funds	-	50,031	116,025	-	-	3,687	169,743
Capital Projects Funds	-	-	-	1,258	44,704	-	45,962
<i>Total Fund Balances</i>	<u>\$ 188,919</u>	<u>\$ 50,031</u>	<u>\$ 116,025</u>	<u>\$ 1,258</u>	<u>\$ 44,704</u>	<u>\$ 3,687</u>	<u>\$ 404,624</u>

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

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

	General	Gasoline Tax	Road and Bridge	OPWC CMDAB Greenway Phase II	Fire Tanker	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 30,227	\$ -	\$ 115,641	\$ -	\$ 41,184	\$ 57,805	\$ 244,857
Licenses, Permits and Fees	94,427	-	-	-	-	2,225	96,652
Intergovernmental	75,111	88,980	14,566	638,390	5,275	69,730	892,052
Interest	8,450	924	-	-	-	25	9,399
Other	108,170	-	751	22,334	-	-	131,255
<i>Total Receipts</i>	<u>316,385</u>	<u>89,904</u>	<u>130,958</u>	<u>660,724</u>	<u>46,459</u>	<u>129,785</u>	<u>1,374,215</u>
Disbursements							
Current:							
General Government	141,945	-	-	-	-	2,700	144,645
Public Safety	5,856	-	-	-	-	65,154	71,010
Public Works	24,960	54,088	25,141	-	-	19,362	123,551
Health	14,542	-	-	-	-	-	14,542
Conservation-Recreation	-	-	-	42,373	-	-	42,373
Capital Outlay	-	-	-	697,093	962	92,778	790,833
Debt Service:							
Principal Retirement	-	55,600	-	-	36,853	-	92,453
Interest and Fiscal Charges	-	2,174	-	-	3,854	-	6,028
<i>Total Disbursements</i>	<u>187,303</u>	<u>111,862</u>	<u>25,141</u>	<u>739,466</u>	<u>41,669</u>	<u>179,994</u>	<u>1,285,435</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	129,082	(21,958)	105,817	(78,742)	4,790	(50,209)	88,780
Other Financing Sources (Uses)							
Sale of Notes	-	34,200	-	50,000	-	50,000	134,200
Transfers In	-	-	-	30,000	-	-	30,000
Transfers Out	(30,000)	-	-	-	-	-	(30,000)
Advances In	50,000	-	-	50,000	-	-	100,000
Advances Out	(50,000)	-	-	(50,000)	-	-	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>34,200</u>	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>50,000</u>	<u>134,200</u>
<i>Net Change in Fund Balances</i>	<u>99,082</u>	<u>12,242</u>	<u>105,817</u>	<u>1,258</u>	<u>4,790</u>	<u>(209)</u>	<u>222,980</u>
<i>Fund Balances Beginning of Year</i>	<u>89,837</u>	<u>37,789</u>	<u>10,208</u>	<u>-</u>	<u>39,914</u>	<u>3,896</u>	<u>181,644</u>
<i>Fund Balances End of Year</i>	<u>\$ 188,919</u>	<u>\$ 50,031</u>	<u>\$ 116,025</u>	<u>\$ 1,258</u>	<u>\$ 44,704</u>	<u>\$ 3,687</u>	<u>\$ 404,624</u>

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

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

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 27,524	\$ 30,227	\$ 30,227	\$ -
Licenses, Permits and Fees	48,115	94,427	94,427	-
Intergovernmental	64,014	75,111	75,111	-
Interest	6,468	8,451	8,450	(1)
Other	-	108,170	108,170	-
<i>Total receipts</i>	<u>146,121</u>	<u>316,386</u>	<u>316,385</u>	<u>(1)</u>
Disbursements				
Current:				
General Government	157,160	146,860	142,430	4,430
Public Safety	7,750	6,050	5,856	194
Public Works	25,000	25,000	24,960	40
Health	12,000	15,000	14,542	458
<i>Total Disbursements</i>	<u>201,910</u>	<u>192,910</u>	<u>187,788</u>	<u>5,122</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(55,789)</u>	<u>123,476</u>	<u>128,597</u>	<u>5,121</u>
Other Financing Sources (Uses)				
Transfers Out	(15,000)	(30,000)	(30,000)	-
Advances In	-	50,000	50,000	-
Advances Out	(20,000)	(50,000)	(50,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(35,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(90,789)	93,476	98,597	5,121
<i>Fund Balance Beginning of Year</i>	<u>89,627</u>	<u>89,627</u>	<u>89,627</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>210</u>	<u>210</u>	<u>210</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ (952)</u>	<u>\$ 183,313</u>	<u>\$ 188,434</u>	<u>\$ 5,121</u>

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

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

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$ 88,250	\$ 88,980	\$ 88,980	\$ -
Interest	1,557	925	924	(1)
<i>Total receipts</i>	<u>89,807</u>	<u>89,905</u>	<u>89,904</u>	<u>(1)</u>
Disbursements				
Current:				
Public Works	94,244	94,244	54,088	40,156
Debt Service:				
Principal Retirement	55,600	55,600	55,600	-
Interest and Fiscal Charges	2,174	2,174	2,174	-
<i>Total Disbursements</i>	<u>152,018</u>	<u>152,018</u>	<u>111,862</u>	<u>40,156</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(62,211)</u>	<u>(62,113)</u>	<u>(21,958)</u>	<u>40,155</u>
Other Financing Sources (Uses)				
Sale of Notes	34,200	34,200	34,200	-
<i>Total Other Financing Sources (Uses)</i>	<u>34,200</u>	<u>34,200</u>	<u>34,200</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(28,011)	(27,913)	12,242	40,155
<i>Fund Balance Beginning of Year</i>	<u>37,545</u>	<u>37,545</u>	<u>37,545</u>	<u>-</u>
Prior Year Encumbrances Appropriated	244	244	244	-
<i>Fund Balance End of Year</i>	<u>\$ 9,778</u>	<u>\$ 9,876</u>	<u>\$ 50,031</u>	<u>\$ 40,155</u>

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

Franklin Township, Mercer County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 118,033	\$ 115,641	\$ 115,641	\$ -
Intergovernmental	13,343	14,566	14,566	-
Other	-	751	751	-
<i>Total receipts</i>	<u>131,376</u>	<u>130,958</u>	<u>130,958</u>	<u>-</u>
Disbursements				
Current:				
Public Works	<u>135,500</u>	<u>131,500</u>	<u>25,141</u>	<u>106,359</u>
<i>Total Disbursements</i>	<u>135,500</u>	<u>131,500</u>	<u>25,141</u>	<u>106,359</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,124)</u>	<u>(542)</u>	<u>105,817</u>	<u>106,359</u>
<i>Fund Balance Beginning of Year</i>	<u>10,208</u>	<u>10,208</u>	<u>10,208</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 6,084</u></u>	<u><u>\$ 9,666</u></u>	<u><u>\$ 116,025</u></u>	<u><u>\$ 106,359</u></u>

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 1 – Reporting Entity

Franklin Township, Mercer County, Ohio is a body politic and corporate established on December 7, 1841 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are legally part of the Township. The Township provides general Township services, maintenance of Township roads and bridges, cemetery maintenance and zoning. The Township contracts with the Montezuma Community Fire Company, Inc., for fire protection. Police protection is provided by Mercer County Sheriff's Department. Ambulance is contracted with the Mercer County Emergency Management Service.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, 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, 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 that 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 each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Township's general receipts.

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

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 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 categorized as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's 2007 major governmental funds were the General Fund, Gasoline, Road and Bridge, OPWC CMDAB Greenway Phase II Fund, and the Fire Tanker Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The other major funds are as follows:

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

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township Roads.

OPWC CMDAB Greenway Phase II Fund– The Township received proceeds of an Ohio Public Works Commission Grant, which was used to purchase Greenspace and easements for a walking path.

Fire Tanker Fund – The Township received a State marshal Revolving loan to finance the purchase of a fire tanker truck.

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

C. Basis of Accounting

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

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township's Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted at the beginning of the year. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

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 are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. During 2007, the township had a checking account and STAR Ohio account.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purchases. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$8,450.

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Employer Contributions to Cost-Sharing Pension Plans

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

I. 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 governmental funds are used for the following purposes: gasoline, motor vehicle license, road and bridge funds are used primarily for road maintenance/repair but also encompass many other purposes as salaries (and related expenses as OPERS, Social Security and Medicare), insurance, equipment purchases, etc.

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.

J. Interfund Receivables/Payables

The Township reports advances-in and advances-out for Interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is 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 are treated as disbursements (budgetary basis) rather than as a reservation of fund balance.

Note 4 – Deposits and Investments

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

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

Note 4 – Deposits and Investments (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage.
3. Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
4. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked daily, and the term of the agreement must not exceed thirty days.
5. Bonds and other obligations of the State of Ohio or Ohio local governments.
6. Timer certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
7. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
8. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

A. Deposits

As of December 31, 2007 the carrying amount of the Township's deposits was \$50,117. All of the bank balance was covered by federal depository insurance and \$0.00 was uninsured and uncollateralized.

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

Note 5 – 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. Franklin Township property taxes are due and payable on February 20 and July 20.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, was 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.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006 on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$5.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

	2007
Real Property	
Residential	\$ 57,441,620
Public Utility Property	
Real	3,970,160
Tangible Personal Property	2,593,200
Total Assesed Property	\$ 64,004,980

Note 6 – Risk Management

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

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

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

Note 6 – Risk Management (Continued)

Casualty Coverage

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

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

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers 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 there \$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

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

Note 6 – Risk Management (Continued)

Financial Position

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

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

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

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township’s share of these unpaid claims collectible in future years is approximately \$12,000. This payable includes the subsequent year’s contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Contributions to OTARMA</u>	
2005	\$6,501
2006	\$6,843
2007	\$5,884

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

Note 6 – Risk Management (Continued)

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

Coverage provided by OTARMA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	\$2,000,000	Per Occurrence
Law Enforcement Operations	N/A	Per Occurrence
Wrongful Acts	\$2,000,000	Per Occurrence
Property	\$1,318,680	Total Coverage
Boiler and Machinery	N/A	Limit

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

The Township Trustees and the Fiscal Officer are bonded for \$10,000. These bonds are also provided by OTARMA.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

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

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. In 2006 it was 9.0. The Township’s contribution rate for pension benefits for 2007 was 13.85 percent, and 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

Note 7 – Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

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 \$10,468, \$17,218 and \$11,548 respectively. The full amount has been contributed for 2007, 2006 and 2005. The Township does not participate in the member-directed plan.

Note 8 - Post employment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available.

Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment 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 2007 local Township employer contribution rate was 13.85 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004, which were used to fund post employment benefits, were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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.

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

Note 9 – Debt

A summary of the note transactions for the year ended December 31, 2007, follows:

	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
Township Build. Improvements Note	\$ 10,000	\$ -0-	\$ 10,000	\$ -0-	\$ -0-
Fire Truck	109,002	-0-	36,853	72,148	36,855
Vehicle Loan	45,600	-0-	45,600	-0-	-0-
Greenspace Note	-0-	100,000	-0-	100,000	100,00
Vehicle Loan #2	-0-	34,200	-0-	34,200	34,200
	<u>\$ 164,602</u>	<u>\$ 134,200</u>	<u>\$ 92,453</u>	<u>\$ 206,349</u>	<u>\$ 171,055</u>

The building improvement note was issued to finance the expansion of the Township Building to house Township equipment. This debt was paid off in 2007.

The Greenspace note is a one-year note issued in 2007, payable in 2008. This was used to cover a reimbursement grant. The proceeds of the grant have not been received for the State.

The Fire Truck note was issued in 2004 to finance the purchase of a fire tanker truck.

The Dump Truck Loan was issued during 2005 to help maintain Township roads. This debt was paid off in 2007.

The Vehicle Loan was issued during 2006 to help maintain Township roads.

The Vehicle Loan #2 was issued during 2007 to help maintain Township roads.

The following is a summary of the Township's future annual debt service requirements:

Year ending December 31:	Payments	
	Principal	Interest
2008	171,055	8,360
2009	35,294	1,341
Total	<u>\$ 206,349</u>	<u>\$ 9,701</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

Note 10 – Interfund Transfers and Advances

Interfund transfers and advances for the year ended December 31, 2007, were as follows:

Transfers from the General Fund to:		
OPWC CMDAB Greenway Phase II Fund	\$	30,000
Transfers from Special Revenue Fund:		
to the General Fund	\$	30,000
Advances from the General Fund to:		
OPWC CMDAB Greenway Phase II Fund	\$	50,000
Transfers from Special Revenue Fund:		
to the General Fund	\$	50,000

The above mentioned transfer was used to move receipts from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them.

The above advances were repaid within the same fiscal year.

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of the Township of Franklin, Mercer County's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's cash basis accounting.

Highlights

Key highlights for 2006 are as follows:

Net assets of Township activities decreases \$14,943 a significant change from the prior year. The funds most affected by the decrease in cash and cash equivalents were the Special Revenue Funds.

The Township's general receipts are made up mainly of property taxes and intergovernmental receipts. These receipts represent respectively \$625,452 of the total cash received for Township activities during the year.

Resurfaced Praire View Drive, cost to Township \$10,796.

Resurfaced Aqua View Drive, cost to Township \$2,599.

Resurfaced Harrison Road, cost to Township \$44,508. Ohio Public Works Commission Grant provided \$20,909.

Purchased 30 acres from The Gilliland Estate contract sales price \$321,321. Township's share was \$21,797. Ohio Public Works Grant of \$217,779 and a gift of \$83,544.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Using the Basic Financial Statements (Continued)

Basis of Accounting (Continued)

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

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. 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 or business-type activity draws from the Township's general receipts.

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

Activities of the Township are listed in the Statement of Net Assets and Statement of Activities.

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

Reporting the Township's Most Significant Funds

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Reporting the Township's Most Significant Funds (Continued)

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, OPWC Gilliland, CMR02 OPWC Co-op Paving, OPWC Road Widening, and the Fire Tanker Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Township as a Whole

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

	Table 1	
	Net Assets	
	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Cash and Cash Equivalents	\$ 16,107	\$ 196,587
Investments	165,537	-
Total Assets	<u><u>\$ 181,644</u></u>	<u><u>\$ 196,587</u></u>
Net Assets		
Restricted for:		
Capital Projects	\$ 39,914	\$ 40,255
Other Purposes	51,893	77,528
Unrestricted	89,837	78,804
Total Net Assets	<u><u>\$ 181,644</u></u>	<u><u>\$ 196,587</u></u>

As mentioned previously total, net assets of Township activities decreased \$14,943 during 2006. The primary reasons contributing to the decrease in cash balances are as follows:

- With aggressively improving the roads in Franklin Township and purchasing Greenspace the cash balances were reduced.

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

The Township as a Whole (Continued)

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

**Table 2
Changes in Net Assets**

	<u>2006</u>	<u>2005</u>
Receipts		
Program Receipts:		
Charges for Services and Sales	\$ 4,920	\$ 47,858
Operating Grants and Contributions	106,190	288,598
Capital Grants and Contributions	815,231	-
Total Program Receipts	<u>926,341</u>	<u>336,456</u>
General Receipts:		
Property and Other Local Taxes	235,059	216,841
Sales of Notes	45,600	57,000
Grants and Entitlements Not Restricted to Specific Programs	198,469	151,052
Cable Franchise Fees	-	11,771
Interest	8,046	3,443
Miscellaneous	138,278	8,451
Total General Receipts	<u>625,452</u>	<u>448,558</u>
Total Receipts	<u>1,551,793</u>	<u>785,014</u>
Disbursements		
General Government	132,759	113,075
Public Safety	67,297	67,473
Public Works	257,291	247,236
Public Health Services	10,916	13,297
Conservation- Recreation	1,000	900
Miscellaneous	-	982
Capital Outlay	982,348	266,970
Principal Retirement	106,551	48,153
Interest and Fiscal Charges	8,574	8,030
Total Disbursements	<u>1,566,736</u>	<u>766,116</u>
Increase (Decrease) in Net Assets	(14,943)	18,898
Net Assets January 1	196,587	177,689
Net Assets December 31	<u>\$ 181,644</u>	<u>\$ 196,587</u>

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Governmental Activities

In the "Statement of Activities" below, the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and capital outlay, which account for \$1,239,639 and 79 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 8 percent. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3
Governmental Activities**

	Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$ 132,759	\$ (132,759)	\$ 113,075	\$ (70,002)
Public Safety	67,297	(62,797)	67,473	(62,968)
Public Works	257,291	(151,101)	247,236	41,362
Public Health Services	10,916	(10,496)	13,297	(13,017)
Conservation/Recreation	1,000	(1,000)	900	(900)
Other			982	(982)
Capital Outlay	982,348	(167,117)	266,970	(266,970)
Principal Retirement	106,551	(106,551)	48,153	(48,153)
Interest and Fiscal Charges	8,574	8,574	8,030	(8,030)
Total Expenses	<u>\$ 1,566,736</u>	<u>\$ (623,247)</u>	<u>\$ 766,116</u>	<u>\$ (429,660)</u>

The dependence upon capital grants and contributions receipts is apparent as over 53 percent of governmental activities are supported through these general receipts. The Township had no business-type activities.

The Township's Funds

Total governmental funds had receipts of \$1,551,793 and disbursements of \$1,566,736. The greatest change within governmental funds occurred within the Road & Bridge Funds Fund. During 2006, the fund balance of the Road & Bridge decreased \$40,757 as a result of the aggressive road repair the Township undertook in 2006. Also, Franklin Township purchased 30 acres of Greenspace from Gilliland Estate for \$321,321. (See highlights on page one.)

**FRANKLIN TOWNSHIP
MERCER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

General Fund Budgeting Highlights

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

During 2006, the Township amended its budget to reflect changing circumstances. Several amended certificates were requested during the year to cover increases in budget amounts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,690,698, while actual disbursements were \$1,633,859. Receipts lived up to expectations and it was not necessary to reduce appropriations. The Township used fiscal responsibility and spent very close to budgeted amounts.

Debt Administration

Debt

At December 31, 2006, the Township's outstanding debt was \$164,602. For further information regarding the Township's debt, refer to Note 9 – Debt on page 49 of the Notes to the basic financial statements.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. With the discussion of the Local Government Funds being eliminated and also the estate tax, we realize that our sources of revenue will not increase. To reduce expenses, the Township has aggressively applied for grants to fund needed projects.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Evert E. Dorsten, Fiscal Officer, Franklin Township, 6805 State Route 219, Celina, Ohio 45822.

Franklin Township, Mercer County
Statement of Net Assets - Cash Basis
For the Year Ended December 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 16,107
Investments	165,537
<i>Total Assets</i>	181,644
 Net Assets	
Restricted for:	
Capital Projects	39,914
Other Purposes	51,893
Unrestricted	89,837
<i>Total Net Assets</i>	\$ 181,644

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

Franklin Township, Mercer County
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	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 132,759	\$ -	\$ -	\$ -	\$ (132,759)
Public Safety	67,297	4,500	-	-	(62,797)
Public Works	257,291	-	106,190	-	(151,101)
Health	10,916	420	-	-	(10,496)
Conservation- Recreation	1,000	-	-	-	(1,000)
Capital Outlay	982,348	-	-	815,231	(167,117)
Debt Service:					
Principal	106,551	-	-	-	(106,551)
Interest	8,574	-	-	-	(8,574)
<i>Total Governmental Activities</i>	<u>\$ 1,566,736</u>	<u>\$ 4,920</u>	<u>\$ 106,190</u>	<u>\$ 815,231</u>	<u>\$ (640,395)</u>
General Receipts					
Property Taxes					235,059
Grants and Entitlements not Restricted to Specific Programs					198,469
Sale of Notes					45,600
Interest					8,046
Miscellaneous					138,278
<i>Total General Receipts</i>					<u>625,452</u>
Change in Net Assets					<u>(14,943)</u>
<i>Net Assets Beginning of Year</i>					<u>196,587</u>
<i>Net Assets End of Year</i>					<u>\$ 181,644</u>

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

Franklin Township, Mercer County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire Tanker</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 469	\$ 9,579	\$ 370	\$ 5,689	\$ 16,107
Investments	<u>89,368</u>	<u>28,210</u>	<u>39,544</u>	<u>8,415</u>	<u>165,537</u>
<i>Total Assets</i>	<u><u>89,837</u></u>	<u><u>37,789</u></u>	<u><u>39,914</u></u>	<u><u>14,104</u></u>	<u><u>181,644</u></u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	210	244	-	-	454
Unreserved:					
General Fund	89,627	-	-	-	89,627
Special Revenue Funds	-	37,545	-	14,104	51,649
Capital Projects Fund	-	-	39,914	-	39,914
<i>Total Fund Balances</i>	<u><u>\$ 89,837</u></u>	<u><u>\$ 37,789</u></u>	<u><u>\$ 39,914</u></u>	<u><u>\$ 14,104</u></u>	<u><u>\$ 181,644</u></u>

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

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

	General	Gasoline Tax	OPWC CMCAE Gilliland	CMR02 OPWC CO-OP Paving	OPWC CT301CAS MON/BUR/GUA Road Widening	Fire Tanker	Other Governmental Funds	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$ 28,960	\$ -	\$ -	\$ -	\$ -	\$ 39,595	\$ 166,504	\$ 235,059
Licenses, Permits and Fees	51,287	-	-	-	-	-	4,500	55,787
Intergovernmental	116,522	86,201	225,569	230,000	243,327	4,683	216,653	1,122,955
Interest	6,467	1,557	-	-	-	-	22	8,046
Other	356	-	83,544	-	-	-	446	84,346
<i>Total Receipts</i>	<u>203,592</u>	<u>87,758</u>	<u>309,113</u>	<u>230,000</u>	<u>243,327</u>	<u>44,278</u>	<u>388,125</u>	<u>1,506,193</u>
Disbursements								
Current:								
General Government	128,355	-	-	-	-	-	4,404	132,759
Public Safety	5,856	-	-	-	-	-	61,441	67,297
Public Works	25,000	57,462	-	-	-	-	174,829	257,291
Health	10,916	-	-	-	-	-	-	10,916
Conservation-Recreation	1,000	-	-	-	-	-	-	1,000
Capital Outlay	5,903	-	324,642	230,000	243,327	827	177,649	982,348
Debt Service:								
Principal Retirement	-	68,353	-	-	-	38,198	-	106,551
Interest and Fiscal Charges	-	2,980	-	-	-	5,594	-	8,574
<i>Total Disbursements</i>	<u>177,030</u>	<u>128,795</u>	<u>324,642</u>	<u>230,000</u>	<u>243,327</u>	<u>44,619</u>	<u>418,323</u>	<u>1,566,736</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	26,562	(41,037)	(15,529)	-	-	(341)	(30,198)	(60,543)
Other Financing Sources (Uses)								
Sale of Notes	-	45,600	-	-	-	-	-	45,600
Transfers In	-	-	15,529	-	-	-	-	15,529
Transfers Out	(15,529)	-	-	-	-	-	-	(15,529)
Advances In	25,797	-	21,797	-	-	4,000	-	51,594
Advances Out	(25,797)	-	(21,797)	-	-	(4,000)	-	(51,594)
<i>Total Other Financing Sources (Uses)</i>	<u>(15,529)</u>	<u>45,600</u>	<u>15,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,600</u>
<i>Net Change in Fund Balances</i>	11,033	4,563	-	-	-	(341)	(30,198)	(14,943)
<i>Fund Balances Beginning of Year</i>	<u>78,804</u>	<u>33,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,255</u>	<u>44,302</u>	<u>196,587</u>
<i>Fund Balances End of Year</i>	<u>\$ 89,837</u>	<u>\$ 37,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,914</u>	<u>\$ 14,104</u>	<u>\$ 181,644</u>

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

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

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 23,433	\$ 28,960	\$ 28,960	\$ -
Licenses, Permits and Fees	-	-	51,287	51,287
Intergovernmental	116,036	116,522	116,522	-
Interest	4,220	6,468	6,467	(1)
Other	72,911	51,643	356	(51,287)
<i>Total receipts</i>	<u>216,600</u>	<u>203,593</u>	<u>203,592</u>	<u>(1)</u>
Disbursements				
Current:				
General Government	167,716	169,808	128,564	41,244
Public Safety	8,250	8,250	5,856	2,394
Public Works	25,000	25,000	25,000	-
Health	13,535	11,018	10,916	102
Conservation-Recreation	1,000	1,000	1,000	-
Capital Outlay	35,000	35,000	5,903	29,097
<i>Total Disbursements</i>	<u>250,501</u>	<u>250,076</u>	<u>177,239</u>	<u>72,837</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(33,901)</u>	<u>(46,483)</u>	<u>26,353</u>	<u>72,836</u>
Other Financing Sources (Uses)				
Transfers Out	(35,000)	(15,529)	(15,529)	-
Advances In	-	25,797	25,797	-
Advances Out	-	(25,797)	(25,797)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(35,000)</u>	<u>(15,529)</u>	<u>(15,529)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(68,901)	(62,012)	10,824	72,836
<i>Fund Balance Beginning of Year</i>	<u>78,378</u>	<u>78,378</u>	<u>78,378</u>	<u>-</u>
Prior Year Encumbrances Appropriated	426	426	426	-
<i>Fund Balance End of Year</i>	<u>\$ 9,903</u>	<u>\$ 16,792</u>	<u>\$ 89,628</u>	<u>\$ 72,836</u>

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

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

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 84,480	\$ 86,201	\$ 86,201	\$ -
Interest	174	1,557	1,557	-
<i>Total receipts</i>	<u>84,654</u>	<u>87,758</u>	<u>87,758</u>	<u>-</u>
Disbursements				
Current:				
Public Works	87,114	86,857	57,706	29,151
Debt Service:				
Principal Retirement	68,355	68,355	68,353	2
Interest and Fiscal Charges	3,200	3,200	2,980	220
<i>Total Disbursements</i>	<u>158,669</u>	<u>158,412</u>	<u>129,039</u>	<u>29,373</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(74,015)</u>	<u>(70,654)</u>	<u>(41,281)</u>	<u>29,373</u>
Other Financing Sources (Uses)				
Sale of Notes	45,000	45,600	45,600	-
<i>Total Other Financing Sources (Uses)</i>	<u>45,000</u>	<u>45,600</u>	<u>45,600</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(29,015)	(25,054)	4,319	29,373
<i>Fund Balance Beginning of Year</i>	<u>32,969</u>	<u>32,969</u>	<u>32,969</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>257</u>	<u>257</u>	<u>257</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 4,211</u>	<u>\$ 8,172</u>	<u>\$ 37,545</u>	<u>\$ 29,373</u>

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 1 – Reporting Entity

Franklin Township, Mercer County, Ohio is a body politic and corporate established on December 7, 1841 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are legally part of the Township. The Township provides general Township services, maintenance of Township roads and bridges, cemetery maintenance and zoning. The Township contracts with the Montezuma Community Fire Company, Inc., for fire protection. Police protection is provided by Mercer County Sheriff's Department. Ambulance is contracted with the Mercer County Emergency Management Service.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, 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, 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.

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 that provide a more detailed level of financial information.

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 that 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 each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

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 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 categorized as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's 2006 major governmental funds were the General Fund, Gasoline Tax, OPWC CMCAE Gilliland, CMR02 OPWC Co-op Paving, OPWC CT301CAS MON/BUR/GUA Road Widening and Fire Tanker Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The other major fund is as follows:

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

OPWC CMCAE Gilliland Fund– The Township received proceeds of an Ohio Public Works Commission Grant, which was used to purchase Greenspace and easements for a walking path.

CMR02 OPWC Co-op Paving Fund– The Township received proceeds of an Ohio Public Works Commission Grant, which was used to purchase Greenspace and easements for a walking path.

OPWC CT301CAS MON/BUR/GUA Road Widening Fund– The Township received proceeds of an Ohio Public Works Commission Grant, which was used to purchase Greenspace and easements for a walking path.

Fire Tanker Fund – The Township received a State marshal Revolving loan to finance the purchase of a fire tanker truck.

C. Basis of Accounting

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

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

D. Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted at the beginning of the year. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

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 are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. During 2007, the township had a checking account and STAR Ohio account.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purchases. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (continued)

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 2006 was \$6,467.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Employer Contributions to Cost-Sharing Pension Plans

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

I. 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 governmental funds are used for the following purposes: gasoline, motor vehicle license, road and bridge funds are used primarily for road maintenance/repair but also encompass many other purposes as salaries (and related expenses as OPERS Social Security and Medicare), insurance, equipment purchases, etc.

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.

J. Interfund Receivables/Payables

The Township reports advances-in and advances-out for Interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is 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 yearend encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance.

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

Note 4 – Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage.
3. Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
4. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked daily, and the term of the agreement must not exceed thirty days.
5. Bonds and other obligations of the State of Ohio or Ohio local governments.
6. Timer certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
7. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
8. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

A. Deposits

As of December 31, 2006 the carrying amount of the Township's deposits was \$16,107, was covered by the FDIC. All of the bank balance was covered by federal depository insurance and \$0.00 was uninsured and uncollateralized.

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

Note 4 – Deposits and Investments (Continued)

A. Deposits (Continued)

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 5 – 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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. Franklin Township property taxes are due and payable on February 20 and July 20.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, was levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2006 on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$5 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

	2006
Real Property	
Residential	\$ 49,714,937
Public Utility Property	
Real	3,029,960
Tangible Personal Property	2,680,870
Total Assesed Property	\$ 55,425,767

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

Note 6 – Risk Management

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

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

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

Casualty Coverage

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

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

Property Coverage

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

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

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

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

Note 6 – Risk Management (Continued)

Financial Position

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

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

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

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$12,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Contributions to OTARMA</u>	
2005	\$6,501
2006	\$6,843

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

Note 6 – Risk Management (Continued)

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

Coverage provided by OTARMA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	\$2,000,000	Per Occurrence
Law Enforcement Operations	N/A	Per Occurrence
Wrongful Acts	\$2,000,000	Per Occurrence
Property	\$1,318,680	Total Coverage
Boiler and Machinery	N/A	Limit

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

The Township Trustees and the Fiscal Officer are bonded for \$10,000. These bonds are also provided by OTARMA.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

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

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

Note 7 – Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. In 2006 it was 9.0. The Township's contribution rate for pension benefits for 2007 was 13.85 percent, and 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$17,218, \$11,548 and \$11,678 respectively. The full amount has been contributed for 2006, 2005 and 2004. The Township does not participate in the member-directed plan.

Note 8 – Post employment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available.

Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment 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 local Township employer contribution rate was 13.7 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004, which were used to fund post employment benefits, were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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.

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

Note 9 – Debt

A summary of the note transactions for the year ended December 31, 2006, follows:

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Township Build. Improvements Note	\$ 20,000	\$ -0-	\$ 10,000	\$ 10,000	\$ 10,000
OPWC Loan	1,353	-0-	1,353	-0-	-0-
Fire Truck	147,200	-0-	38,198	109,002	36,853
Dump Truck	57,000	-0-	57,000	-0-	-0-
Vehicle Loan	-0-	45,600	-0-	45,600	45,600
	<u>\$ 225,553</u>	<u>\$ 45,600</u>	<u>\$ 106,551</u>	<u>\$ 164,602</u>	<u>92,453</u>

The building improvement note was issued to finance the expansion of the Township Building to house Township equipment. The note is renewed each year.

The Fire Truck note was issued in 2004 to finance the purchase of a fire tanker truck.

The OPWC Loan was issued during 2001 to finance a portion of the Windy Point Widening and Resurfacing Project. The debt was paid off in 2006.

The Dump Truck Loan was issued during 2005 to help maintain Township roads. This debt was paid off in 2006.

The Vehicle Loan was issued during 2006 to help maintain Township roads.

The following is a summary of the Township's future annual debt service requirements:

Year ending December 31:	Principal	Interest
2007	92,453	6,316
2008	36,855	2,742
2009	35,294	1,341
Total	<u>\$ 164,602</u>	<u>\$ 10,399</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and un-voted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

**FRANKLIN TOWNSHIP
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

Note 10 – Interfund Transfers and Advances

Interfund transfers and advances for the year ended December 31, 2007, were as follows:

Transfers from the General Fund to:		
OPWC CMCAE Gilliland Fund	\$	15,529
Transfers from Special Revenue Fund:		
to the General Fund	\$	15,529
Advances from the General Fund to:		
OPWC CMCAE Gilliland Fund	\$	21,797
Fire Tanker Fund	\$	4,000
Total Advances out of General Fund	\$	<u>25,797</u>
Transfers from Special Revenue Fund:		
to the General Fund	\$	25,797

The above mentioned transfer was used to move receipts from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them.

The above advances were repaid within the same fiscal year.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

April 30, 2008

Franklin Township
Mercer County
6805 State Route 219
Celina, OH 45822

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Franklin Township, Mercer County, Ohio** (the Township) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated April 30, 2008, wherein we noted the Township prepared these statements using the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Internal Control Over Financial Reporting (Continued)

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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

Our consideration of 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 material weaknesses. We believe significant deficiency 2007-001 described above is a material weakness.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated April 30, 2008.

Compliance and Other Matters

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

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

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**FRANKLIN TOWNSHIP
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Significant Deficiency/Material Weakness

Fund Classification

During 2006 and 2007, capital grant funds were posted to incorrect fund classifications for financial statement presentation.

The grants were classified as Grants not restricted to specific programs for financial statement classification, however these funds should have been classified as Capital Grants for financial statement presentation purposes.

We recommend the Clerk refer to the Ohio Township Handbook and ORC Section 5705.13 for guidance to determine the proper establishment of reserve funds.

We recommend the Clerk refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.



Mary Taylor, CPA
Auditor of State

FRANKLIN TOWNSHIP

MERCER 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
JUNE 19, 2008**