



**Auditor of State
Betty Montgomery**

**TROY TOWNSHIP
RICHLAND COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Troy Township
Richland County
3481 Lindsey Road
Lexington, Ohio 44904

To the Board of Trustees:

We have audited the accompanying financial statements of Troy Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Troy Township
Richland County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 22, 2004

**TROY TOWNSHIP
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$115,653	\$423,651	\$539,304
Intergovernmental	87,042	108,008	195,050
Charges for Services		62,000	62,000
Licenses, Permits, and Fees	2,867		2,867
Earnings on Investments	26,341	3,219	29,560
Other	10,223	8,710	18,933
	<u>242,126</u>	<u>605,588</u>	<u>847,714</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	121,183	149,142	270,325
Public Safety		172,661	172,661
Public Works	110,393	396,755	507,148
Health		39,912	39,912
Capital Outlay	1,310	45,821	47,131
	<u>232,886</u>	<u>804,291</u>	<u>1,037,177</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	9,240	(198,703)	(189,463)
Other Financing Receipts:			
Sale of Fixed Assets		33,000	33,000
		<u>33,000</u>	<u>33,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	9,240	(165,703)	(156,463)
Fund Cash Balances, January 1	1,216,233	1,033,347	2,249,580
Fund Cash Balances, December 31	<u>\$1,225,473</u>	<u>\$867,644</u>	<u>\$2,093,117</u>

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

**TROY TOWNSHIP
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$99,153	\$376,786	\$475,939
Intergovernmental	43,950	104,802	148,752
Charges for Services		62,000	62,000
Licenses, Permits, and Fees	2,920		2,920
Earnings on Investments	46,033	4,529	50,562
Other	10,505	9,754	20,259
	<u>202,561</u>	<u>557,871</u>	<u>760,432</u>
Total Cash Receipts			
	<u>202,561</u>	<u>557,871</u>	<u>760,432</u>
Cash Disbursements:			
Current:			
General Government	98,570	83,364	181,934
Public Safety		176,514	176,514
Public Works	70,000	126,752	196,752
Health		41,983	41,983
Capital Outlay		165,005	165,005
	<u>168,570</u>	<u>593,618</u>	<u>762,188</u>
Total Cash Disbursements			
	<u>168,570</u>	<u>593,618</u>	<u>762,188</u>
Total Receipts Over/(Under) Disbursements	33,991	(35,747)	(1,756)
Other Financing Receipts:			
Sale of Fixed Assets		2,500	2,500
		<u>2,500</u>	<u>2,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	33,991	(33,247)	744
Fund Cash Balances, January 1	<u>1,182,242</u>	<u>1,066,594</u>	<u>2,248,836</u>
Fund Cash Balances, December 31	<u><u>\$1,216,233</u></u>	<u><u>\$1,033,347</u></u>	<u><u>\$2,249,580</u></u>

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

**TROY TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Troy Township, Richland County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides road and bridge maintenance, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and repurchase agreements are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is recorded at share values reported by the State Treasurer.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

**TROY TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

Fire Fund - This fund receives property tax money and contractual payments from other governments for providing fire protection services and equipment.

Permissive Tax Fund - This fund receives license tax money to pay for constructing, maintaining and repairing Township roads.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

**TROY TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$451,744	\$214,939
Certificates of deposit	250,000	250,000
Total deposits	701,744	464,939
STAR Ohio	1,391,373	1,604,140
Repurchase agreement		180,501
Total investments	1,391,373	1,784,641
Total deposits and investments	\$2,093,117	\$2,249,580

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. RELATED ORGANIZATION – LEXINGTON UNION CEMETERY

The Troy Township Board of Trustees and the Lexington Village Council are responsible for appointing individuals to serve on the Board of Trustees of the Lexington Union Cemetery. The Lexington Union Cemetery hires and fires its own staff and does not rely on the Township to finance deficits. The Township is not financially accountable for the Lexington Union Cemetery; however, the Lexington Union Cemetery is financially dependent on the Township and the Village. The Township collects and remits to the cemetery taxes which are used to provide funding to meet the Cemetery's operating costs under the agreement which established the Cemetery.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$219,260	\$242,126	\$22,866
Special Revenue	593,873	638,588	44,715
Total	\$813,133	\$880,714	\$67,581

**TROY TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,453,330	\$232,886	\$1,220,444
Special Revenue	1,608,945	804,291	804,654
Total	\$3,062,275	\$1,037,177	\$2,025,098

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,676	\$202,561	\$26,885
Special Revenue	592,159	560,371	(31,788)
Total	\$767,835	\$762,932	(\$4,903)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,359,443	\$168,570	\$1,190,873
Special Revenue	1,617,879	593,618	1,024,261
Total	\$2,977,322	\$762,188	\$2,215,134

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**TROY TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT

The Township entered into a lease purchase agreement with Kansas State Bank on September 5, 2003. The Township is leasing a backhoe with a capitalized cost of \$47,113. The lease has been capitalized at the present value of the minimum future lease payments. The lease is for a period of 6 years with an interest rate of 4.25%. Yearly payments are \$9,061 with final payment due September 5, 2009.

The following is a schedule of future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2003:

	Amount
Year ending December 31:	
2004	\$9,061
2005	9,061
2006	9,061
2007	9,061
2008	9,061
2009	9,059
Total minimum lease payments	54,364
Less: amount representing interest	(7,251)
Present value of future minimum lease payments	\$47,113

7. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the "Plan") an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

**TROY TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK MANAGEMENT (Continued)

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded). The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Township also provides health and dental insurance through Richland County's Rich Plan and provides eye, cancer and life insurance for all officials and full-time employees through a private carrier.

9. CONTRACTUAL COMMITMENT

In June 2003, the Township contracted with Rietschlin Construction in the amount of \$364,752 for the Needham Road Project. As of December 31, 2003, the Township has made payments totaling \$254,480 and approved change orders of \$4,000, leaving a balance of \$108,272.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Troy Township
Richland County
3481 Lindsey Road
Lexington, Ohio 44904

To the Board of Trustees:

We have audited the accompanying financial statements of Troy Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 22, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Troy Township
Richland County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

April 22, 2004



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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TROY TOWNSHIP

RICHLAND 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
MAY 11, 2004**