



**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 the governmental activities, each major fund, and the aggregate remaining fund information of Troy Township, Richland County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Troy Township, Richland County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, Fire District, and Permissive Sales Tax Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

October 13, 2006

**Troy Township, Richland County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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This discussion and analysis of Troy Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$195,216, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized the greatest increase in revenue in 2005; however, cost increases affected the Gasoline Tax Fund, which reflected a decrease in fund balance as of December 31, 2005.

Troy Township's general receipts are primarily property and other local taxes. These receipts represent 62.1 percent of the total cash received for governmental activities during the year. Property and other local tax receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

The Township has no business-type activity.

**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 modified 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 entity-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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

**Troy Township, Richland County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the Township at year end. The statement of activities compares cash disbursements with program receipts for each township program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified 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 taxes.

In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

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

Business-type activity. The Township has no business-type activity.

**Reporting the Government's Most Significant Funds**

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

Governmental Funds - All 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 non-major 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, the Gasoline Tax Fund, the Road and Bridge Fund, the Fire District Fund, and the Permissive Sales Tax Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



**Troy Township, Richland County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**The Township as a Whole**

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

(Table 1)

**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$141,460	\$148,898
Investments	2,175,822	1,973,168
Total Assets	\$2,317,282	\$2,122,066
<b>Net Assets</b>		
Restricted for:		
Other Purposes	\$978,714	\$856,418
Unrestricted	1,338,568	1,265,648
Total Net Assets	\$2,317,282	\$2,122,066

As mentioned previously, net assets of governmental activities increased \$195,216, or 9.2 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Interest income on investments increased significantly, due to increases in interest rates and increases in the amount of cash invested.
- The Gasoline Tax Fund receipts increased \$9,238 due to rising gasoline costs.
- Disbursements decreased as a result of management controlling spending.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Troy Township, Richland County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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(Table 2)  
**Changes in Net Assets**

	Governmental Activities <u>2005</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$63,883
Operating Grants and Contributions	107,227
Total Program Receipts	<u>171,110</u>
General Receipts:	
Property and Other Local Taxes	551,375
Grants and Entitlements Not Restricted to Specific Programs	91,220
Interest	59,187
Miscellaneous	15,584
Total General Receipts	<u>717,366</u>
Total Receipts	<u>888,476</u>
Disbursements:	
General Government	169,100
Public Safety	199,965
Public Works	214,444
Health	38,745
Human Services	14,458
Capital Outlay	56,548
Total Disbursements	<u>693,260</u>
Increase in Net Assets	195,216
Net Assets, January 1, 2005	<u>2,122,066</u>
Net Assets, December 31, 2005	<u><u>\$2,317,282</u></u>

Program receipts represent only 19.3 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 80.7 percent of the Township's total receipts, and of this amount, over 76.9 percent are local taxes. State and federal grants and entitlements make up 12.7 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the board, and the clerk/treasurer, as well as internal services such as payroll and purchasing.

Public Safety is the costs of fire protection; Public Works is the cost of maintaining the roads.

**Troy Township, Richland County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Governmental Activities**

If you look at the Statement of Activities on page 10 you will see the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The next two columns of the statement entitled Program Cash 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 Receipts (Disbursements) 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. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$169,100	(\$169,100)
Public Safety	199,965	(133,820)
Public Works	214,444	(109,479)
Health	38,745	(38,745)
Human Services	14,458	(14,458)
Capital Outlay	56,548	(56,548)
Total Expenses	\$693,260	(\$522,150)

The dependence upon property and permissive sales tax receipts is apparent as over 62.1 percent of governmental activities are supported through these general receipts.

**Business-type Activities**

The Township has no business-type activities

**The Township's Funds**

Total governmental funds had receipts of \$888,476 and disbursements of \$693,260. The greatest changes within governmental funds occurred within the General Fund and Permissive Sales Tax Fund. The fund balance of the General Fund increased \$72,920 as the result of increased interest revenue and decreased expenditures, particularly public works expenditures. The Permissive Sales Tax fund balance increased \$70,003 as the result of decreased expenditures in the general government and health expenditures.

**General Fund Budgeting Highlights**

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

During 2005, the Township amended its General Fund once to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to the original budget not including a budgeted amount for intergovernmental revenue. The difference between final budgeted receipts and actual receipts was due to interest revenue exceeding the budgeted amount.

**Troy Township, Richland County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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In the General Fund, final disbursements and other uses were budgeted at \$1,415,175 while actual disbursements were \$160,949. The Township kept spending well under budgeted amounts.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

**Contacting the 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 Jane Volz Blackstone, Fiscal Officer, Troy Township Office, 247 South Mill Street, Lexington, Ohio 44904.

**TROY TOWNSHIP  
RICHLAND COUNTY**

Statement of Net Assets - Modified Cash Basis  
December 31, 2005

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$141,460
Investments	<u>2,175,822</u>
<i>Total Assets</i>	<u><u>\$2,317,282</u></u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$978,714
Unrestricted	<u>1,338,568</u>
<i>Total Net Assets</i>	<u><u>\$2,317,282</u></u>

*See accompanying notes to the basic financial statements.*

**TROY TOWNSHIP  
RICHLAND COUNTY**

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2005

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
			Governmental Activities
<b>Governmental Activities</b>			
General Government	\$169,100		(\$169,100)
Public Safety	199,965	\$63,883	(133,820)
Public Works	214,444		(109,479)
Health	38,745		(38,745)
Human Services	14,458		(14,458)
Capital Outlay	56,548		(56,548)
<i>Total Governmental Activities</i>	<u>\$693,260</u>	<u>\$63,883</u>	<u>\$107,227</u>
			(522,150)
<b>General Receipts</b>			
			Property Taxes Levied for:
			General Purposes 116,844
			Road and Bridge 103,486
			Fire District 183,289
			Cemetery 34,507
			Permissive Sales Tax 113,249
			Grants and Entitlements not Restricted
			to Specific Programs 91,220
			Interest 59,187
			Miscellaneous 15,584
			<u>Total General Receipts 717,366</u>
			Change in Net Assets 195,216
			<i>Net Assets Beginning of Year</i> 2,122,066
			<u><i>Net Assets End of Year</i> \$2,317,282</u>

See accompanying notes to the basic financial statements.

**TROY TOWNSHIP  
RICHLAND COUNTY**

Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005

	General	Gasoline Tax	Road and Bridge	Fire District	Permissive Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$141,460						\$141,460
Investments	1,197,108	\$93,764	\$85,743	\$521,738	\$113,249	\$164,220	2,175,822
<i>Total Assets</i>	<u>1,338,568</u>	<u>93,764</u>	<u>85,743</u>	<u>521,738</u>	<u>113,249</u>	<u>164,220</u>	<u>2,317,282</u>
<b>Fund Balances</b>							
Reserved for Encumbrances:		7,186					7,186
Unreserved:							
Undesignated, Reported in:							
General Fund	1,338,568						1,338,568
Special Revenue Funds		86,578	85,743	521,738	113,249	164,220	971,528
<i>Total Fund Balances</i>	<u>\$1,338,568</u>	<u>\$93,764</u>	<u>\$85,743</u>	<u>\$521,738</u>	<u>\$113,249</u>	<u>\$164,220</u>	<u>\$2,317,282</u>

See accompanying notes to the basic financial statements.

**TROY TOWNSHIP  
RICHLAND COUNTY**

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

	General	Gasoline Tax	Road and Bridge	Fire District	Permissive Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$116,844		\$103,486	\$183,289	\$113,249	\$34,507	\$551,375
Charges for Services				62,000			62,000
Licenses, Permits and Fees	1,883						1,883
Intergovernmental	48,820	\$77,233	14,417	26,008		31,969	198,447
Interest	55,963	2,136				1,088	59,187
Miscellaneous	10,359	223	3,292	1,709		1	15,584
<i>Total Receipts</i>	<u>233,869</u>	<u>79,592</u>	<u>121,195</u>	<u>273,006</u>	<u>113,249</u>	<u>67,565</u>	<u>888,476</u>
<b>Disbursements</b>							
Current:							
General Government	120,850		1,784	3,220	43,246		169,100
Public Safety				199,965			199,965
Public Works	16,978	82,146	109,390			5,930	214,444
Health						38,745	38,745
Human Services				14,458			14,458
Capital Outlay	23,121			15,527		17,900	56,548
<i>Total Disbursements</i>	<u>160,949</u>	<u>82,146</u>	<u>111,174</u>	<u>233,170</u>	<u>43,246</u>	<u>62,575</u>	<u>693,260</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>72,920</u>	<u>(2,554)</u>	<u>10,021</u>	<u>39,836</u>	<u>70,003</u>	<u>4,990</u>	<u>195,216</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In		1,986	12,101	1,618			15,705
Transfers Out						(15,705)	(15,705)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>1,986</u>	<u>12,101</u>	<u>1,618</u>	<u>0</u>	<u>(15,705)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>72,920</u>	<u>(568)</u>	<u>22,122</u>	<u>41,454</u>	<u>70,003</u>	<u>(10,715)</u>	<u>195,216</u>
<i>Fund Balances Beginning of Year</i>	<u>1,265,648</u>	<u>94,332</u>	<u>63,621</u>	<u>480,284</u>	<u>100,541</u>	<u>117,640</u>	<u>2,122,066</u>
<i>Fund Balances End of Year</i>	<u>\$1,338,568</u>	<u>\$93,764</u>	<u>\$85,743</u>	<u>\$521,738</u>	<u>\$170,544</u>	<u>\$106,925</u>	<u>\$2,317,282</u>

See accompanying notes to the basic financial statements.



**TROY TOWNSHIP  
RICHLAND COUNTY**

Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$115,000	\$115,000	\$116,844	\$1,844
Intergovernmental		55,853	48,820	(7,033)
Licenses, Permits & Fees	3,500	3,500	1,883	(1,617)
Interest	17,827	17,827	55,963	38,136
Miscellaneous	13,200	13,200	10,359	(2,841)
<i>Total Receipts</i>	<u>149,527</u>	<u>205,380</u>	<u>233,869</u>	<u>28,489</u>
<b>Disbursements</b>				
Current:				
General Government	1,256,854	1,256,854	120,850	1,136,004
Public Works	46,321	46,321	16,978	29,343
Health	2,000	2,000		2,000
Capital Outlay	60,000	60,000	23,121	36,879
<i>Total Disbursements</i>	<u>1,365,175</u>	<u>1,365,175</u>	<u>160,949</u>	<u>1,204,226</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(1,215,648)</u>	<u>(1,159,795)</u>	<u>72,920</u>	<u>1,232,715</u>
<b>Other Financing (Uses)</b>				
Transfers Out	(50,000)	(50,000)		50,000
<i>Net Change in Fund Balance</i>	(1,265,648)	(1,209,795)	72,920	1,282,715
<i>Fund Balance Beginning of Year</i>	<u>1,265,648</u>	<u>1,265,648</u>	<u>1,265,648</u>	
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$55,853</u></u>	<u><u>\$1,338,568</u></u>	<u><u>\$1,282,715</u></u>

See accompanying notes to the basic financial statements.

**TROY TOWNSHIP  
RICHLAND COUNTY**

Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual - Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$51,000	\$51,000	\$77,233	\$26,233
Earnings on Investments	2,000	2,000	2,136	136
Miscellaneous	1,000	1,000	223	(777)
<i>Total Receipts</i>	<u>54,000</u>	<u>54,000</u>	<u>79,592</u>	<u>25,592</u>
<b>Disbursements</b>				
Current:				
Public Works	148,332	148,332	89,332	59,000
<i>Excess of Receipts (Under) Disbursements</i>	<u>(94,332)</u>	<u>(94,332)</u>	<u>(9,740)</u>	<u>84,592</u>
<b>Other Financing Sources</b>				
Transfers In		2,173	1,986	(187)
<i>Net Change in Fund Balance</i>	(94,332)	(92,159)	(7,754)	84,405
<i>Fund Balance Beginning of Year</i>	<u>94,332</u>	<u>94,332</u>	<u>94,332</u>	
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$2,173</u>	<u>\$86,578</u>	<u>\$84,405</u>

See accompanying notes to the basic financial statements.

**TROY TOWNSHIP  
RICHLAND 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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$99,000	\$99,000	\$103,486	\$4,486
Intergovernmental	10,000	10,000	14,417	4,417
Miscellaneous	1,000	1,000	3,292	2,292
<i>Total Receipts</i>	<u>110,000</u>	<u>110,000</u>	<u>121,195</u>	<u>11,195</u>
<b>Disbursements</b>				
Current:				
General Government	3,000	3,000	1,784	1,216
Public Works	155,621	155,621	109,390	46,231
Capital Outlay	15,000	15,000		15,000
<i>Total Disbursements</i>	<u>173,621</u>	<u>173,621</u>	<u>111,174</u>	<u>62,447</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(63,621)</u>	<u>(63,621)</u>	<u>10,021</u>	<u>73,642</u>
<b>Other Financing Sources</b>				
Transfers In		13,153	12,101	(1,052)
<i>Net Change in Fund Balance</i>	(63,621)	(50,468)	22,122	72,590
<i>Fund Balance Beginning of Year</i>	<u>63,621</u>	<u>63,621</u>	<u>63,621</u>	
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$13,153</u>	<u>\$85,743</u>	<u>\$72,590</u>

See accompanying notes to the basic financial statements.

**TROY TOWNSHIP  
RICHLAND COUNTY**

Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual - Budget Basis  
Fire District Fund  
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$175,000	\$175,000	\$183,289	\$8,289
Charges for Services	62,000	62,000	62,000	
Intergovernmental	12,000	18,000	26,008	8,008
Miscellaneous	1,000	1,000	1,709	709
<b>Total Receipts</b>	<b>250,000</b>	<b>256,000</b>	<b>273,006</b>	<b>17,006</b>
<b>Disbursements</b>				
Current:				
General Government	6,000	6,000	3,220	2,780
Public Safety	305,000	305,000	199,965	105,035
Public Works	5,000	5,000		5,000
Human Services	14,458	14,458	14,458	
Capital Outlay	405,826	405,826	15,527	390,299
<b>Total Disbursements</b>	<b>736,284</b>	<b>736,284</b>	<b>233,170</b>	<b>503,114</b>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<i>(486,284)</i>	<i>(480,284)</i>	<i>39,836</i>	<i>520,120</i>
<b>Other Financing Sources</b>				
Transfers In		1,759	1,618	(141)
<b>Net Change in Fund Balance</b>	<b>(486,284)</b>	<b>(478,525)</b>	<b>41,454</b>	<b>519,979</b>
<i>Fund Balance Beginning of Year</i>	<i>480,284</i>	<i>480,284</i>	<i>480,284</i>	
<b>Fund Balance End of Year</b>	<b>(\$6,000)</b>	<b>\$1,759</b>	<b>\$521,738</b>	<b>\$519,979</b>

See accompanying notes to the basic financial statements.

**TROY TOWNSHIP  
RICHLAND COUNTY**

Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual - Budget Basis  
Permissive Sales Tax Fund  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$104,370	\$104,370	\$113,249	\$8,879
<b>Disbursements</b>				
Current:				
General Government	204,911	204,911	43,246	161,665
<i>Net Change in Fund Balance</i>	(100,541)	(100,541)	70,003	170,544
<i>Fund Balance Beginning of Year</i>	100,541	100,541	100,541	
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$170,544</u>	<u>\$170,544</u>

See accompanying notes to the basic financial statements.

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**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 1 – Reporting Entity**

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

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, fire protection and emergency medical services.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Troy Township has no component units.

**C. Joint Ventures**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

The Township participates in a public entity risk pool. Note 12 to the financial statements provide additional information for this entity. This organization is:

**Public Entity Risk Pool:**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan") for property and casualty coverage.

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

**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 1 – Reporting Entity** (Continued)

**D. 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 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.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township does not report any business-type activities, which generally are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.



**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**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 financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

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

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund, and Permissive Sales Tax 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 Gasoline Tax Fund is used to account for gasoline tax money which the Township can only use to pay for constructing, maintaining, and repairing Township roads. The Road and Bridge Fund are used to account for tax money which the Township can only use for constructing, maintaining, and repairing Township roads. The Fire District Fund is used to account for property tax money and contractual payments from other governments for providing fire protection services and equipment. The Permissive Sales Tax Fund is used to account for sales tax money which is used for constructing, maintaining and repairing Township roads. 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 modified 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 modified 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.

**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**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, function, and object level for all funds.

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

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

**E. Cash and Investments**

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

During 2005, the Township invested in certificates of deposit and STAR Ohio.

The certificates of deposit are reported at cost.

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 purposes. 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, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$55,963.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. During 2005, the Township did not report any restricted assets.

**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies** (Continued)

**G. 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.

**H. Capital Assets**

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

**I. 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. During 2005, the Township did not report any interfund loans.

**J. Accumulated Leave**

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

**K. 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long Term Debt**

Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**M. 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. Net assets restricted for other purposes include resources restricted for road work.

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.

**N. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies** (Continued)

**O. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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

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

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund, and Permissive Sales Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than a reservation of fund balance; however, the Township had no outstanding encumbrances at year-end.

**Note 5 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

**Note 5 – Deposits and Investments** (Continued)

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

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

Deposits

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.

Investments

As of December 31, 2005, the Township had the following investments:

	Carrying Value	Maturity
Certificates of Deposit	\$1,443,136	One to four years
STAR Ohio	732,686	Average
Total Investments	\$2,175,822	

STAR Ohio carries a rating of AAA by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 6 – Property Taxes**

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

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

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

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

Real Property	
Residential	\$102,235,430
Agriculture	6,555,600
Commercial/Industrial	10,326,570
Public Utility Property	
Personal	3,831,510
Tangible Personal Property	7,840,409
Total Assessed Value	<u>\$130,789,519</u>

**Note 7 – Debt**

The Township has 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 \$47,311. 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 the final payment due September 5, 2009.

**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 7 – Debt** (Continued)

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, 2005:

Year ending December 31:	Amount
2006	\$9,061
2007	9,061
2008	9,061
2009	9,059
Total Minimum lease payments	36,242
Less: amount representing interest	(3,546)
Present value of future minimum lease payments	\$32,696

**Note 8 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005, the Township contracted with the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association with approximately 460 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services. Coverage by the plan is as follows:

Property	\$1,162,909	Total Coverage
Wrongful Acts	2,000,000	Per Occurrence
Automobile Liability	2,000,000	Per Occurrence
Bond	5,000	Per Occurrence
Crime	1,000	Per Occurrence
Inland Marine	379,961	Total Coverage
Fire Vehicle RC	879,388	Total Coverage
EDP	8,182	Total Coverage
Employee Benefits Company	1,000,000	Per Occurrence
Auto Medical Payments	1,000	Per Occurrence
Uninsured Motorists	250,000	Per Occurrence

The Township also provides health insurance through Richland County’s risk management plan, dental, eye, cancer and life insurance for all officials and full-time employees through a private carrier.

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.

**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 9 – 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, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$15,414, \$14,916, and \$11,103, respectively. The full amount has been contributed for 2005, 2004 and 2003.

**Note 10- Postemployment Benefits**

Ohio Public Employees Retirement System

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

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.



**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 10- Postemployment Benefits** (Continued)

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$6,456. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**Note 11 – Interfund Transfers**

During 2005, the following transfers were made:

Transfers from Other Governmental Funds to:	
Gasoline Tax Fund	\$ 1,986
Road and Bridge Fund	12,101
Fire District Fund	<u>1,618</u>
Total	<u>\$15,705</u>

These transfers represent the FEMA funds collected and transferred to the funds where the disbursements were originally made from in accordance with Auditor of State Bulletin 98-013.

**Note 12 – Risk Pool Membership**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**Troy Township  
Richland County**

Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 12 – Risk Pool Membership** (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005.

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



**Auditor of State  
Betty Montgomery**

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

Troy Township  
Richland County  
3481 Lindsey Road  
Lexington, Ohio 44904

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 Troy Township, Richland County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 13, 2006 wherein we noted the Township revised its financial statements for 2005, making them comparable to the requirements of Governmental Auditing Standards Board Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments*. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

However, in a separate letter to the Township's management dated October 13, 2006, we reported a matter related to internal controls we deemed immaterial.

### **Compliance and Other Matters**

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

However, in a separate letter to the Township's management dated October 13, 2006, we reported a matter related to noncompliance we deemed immaterial.

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



**Betty Montgomery**  
Auditor of State

October 13, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
NOVEMBER 14, 2006**