



**DARBY TOWNSHIP
PICKAWAY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005-2006



Mary Taylor, CPA
Auditor of State

**DARBY TOWNSHIP
PICKAWAY COUNTY**

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DARBY TOWNSHIP
PICKAWAY COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Darby Township
Pickaway County
P.O. Box 37
Derby, Ohio 43117

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 Darby Township, Pickaway County, Ohio (the Township), as of and for the years ended December 31, 2006 and 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 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Darby Township, Pickaway County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, and Road and Bridge Funds thereof for the years then ended in conformity with the basis of accounting Note 2 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 August 3, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

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

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

Mary Taylor, CPA
Auditor of State

August 3, 2007

DARBY TOWNSHIP
PICKAWAY COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$506,338
<i>Total Assets</i>	<u>506,338</u>
Net Assets	
Restricted for:	
Capital Projects	201,614
Other Purposes	213,663
Unrestricted	91,061
<i>Total Net Assets</i>	<u>\$506,338</u>

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Governmental Activities
Governmental Activities				
General Government	\$111,761	\$7,281	\$0	(\$104,480)
Public Safety	194	0	0	(194)
Public Works	160,955	37,642	94,574	(28,739)
Health	16,047	0	0	(16,047)
Other	5,233	0	0	(5,233)
Capital Outlay	5,600	0	0	(5,600)
Debt Service:				
Principal	20,989	0	0	(20,989)
Interest	2,408	0	0	(2,408)
<i>Total Governmental Activities</i>	<u>323,187</u>	<u>44,923</u>	<u>94,574</u>	<u>(183,690)</u>
		General Receipts		
		Property and Other Local Taxes Levied for:		
		General Purposes	108,043	
		Road & Bridge	115,423	
		Cemetery	386	
		Fire & Emergency	2,320	
		Emergency Medical	1,160	
		Fire Protection	184	
		Grants and Entitlements not Restricted to Specific Programs	74,744	
		Earnings on Investments	5,115	
		Miscellaneous	13,982	
		<i>Total General Receipts</i>	<u>321,357</u>	
		Change in Net Assets		137,667
		<i>Net Assets Beginning of Year</i>		<u>368,671</u>
		<i>Net Assets End of Year</i>		<u><u>\$506,338</u></u>

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General Fund	Gasoline Tax Fund	Road and Bridge Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$91,061	\$41,548	\$89,826	\$201,614	\$82,289	\$506,338
<i>Total Assets</i>	<u>91,061</u>	<u>41,548</u>	<u>89,826</u>	<u>201,614</u>	<u>82,289</u>	<u>506,338</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	91,061	0	0	0	0	91,061
Special Revenue Funds	0	41,548	89,826	0	82,289	213,663
Capital Projects Fund	0	0	0	201,614	0	201,614
<i>Total Fund Balances</i>	<u>\$91,061</u>	<u>\$41,548</u>	<u>\$89,826</u>	<u>\$201,614</u>	<u>\$82,289</u>	<u>\$506,338</u>

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General Fund	Gasoline Tax Fund	Road and Bridge Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$108,043	\$0	\$115,423	\$0	\$34,766	\$258,232
Licenses, Permits and Fees	7,281	0	0	0	0	7,281
Intergovernmental	62,305	81,542	12,439	0	12,746	169,032
Special Assessments	0	0	0	0	6,926	6,926
Earnings on Investments	5,115	286	0	0	0	5,401
Miscellaneous	10,850	0	3,032	0	100	13,982
<i>Total Receipts</i>	<u>193,594</u>	<u>81,828</u>	<u>130,894</u>	<u>0</u>	<u>54,538</u>	<u>460,854</u>
Disbursements						
Current:						
General Government	111,761	0	0	0	0	111,761
Public Safety	0	0	0	0	194	194
Public Works	132	50,426	75,472	0	34,925	160,955
Health	12,976	0	0	0	3,071	16,047
Capital Outlay	0	0	0	5,600	0	5,600
Debt Service:						
Principal Retirement	0	20,989	0	0	0	20,989
Interest and Fiscal Charges	0	2,408	0	0	0	2,408
<i>Total Disbursements</i>	<u>124,869</u>	<u>73,823</u>	<u>75,472</u>	<u>5,600</u>	<u>38,190</u>	<u>317,954</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>68,725</u>	<u>8,005</u>	<u>55,422</u>	<u>(5,600)</u>	<u>16,348</u>	<u>142,900</u>
Other Financing Sources/(Uses)						
Transfers In	0	0	0	35,000	0	35,000
Transfers Out	(35,000)	0	0	0	0	(35,000)
Other Financing Uses	(5,233)	0	0	0	0	(5,233)
<i>Total Other Financing Sources</i>	<u>(40,233)</u>	<u>0</u>	<u>0</u>	<u>35,000</u>	<u>0</u>	<u>(5,233)</u>
<i>Net Change in Fund Balances</i>	28,492	8,005	55,422	29,400	16,348	137,667
<i>Fund Balances Beginning of Year</i>	<u>62,569</u>	<u>33,543</u>	<u>34,404</u>	<u>172,214</u>	<u>65,941</u>	<u>368,671</u>
<i>Fund Balances End of Year</i>	<u><u>\$91,061</u></u>	<u><u>\$41,548</u></u>	<u><u>\$89,826</u></u>	<u><u>\$201,614</u></u>	<u><u>\$82,289</u></u>	<u><u>\$506,338</u></u>

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$64,000	\$64,000	\$108,043	\$44,043
Licenses, Permits and Fees	6,000	6,000	7,281	1,281
Intergovernmental	30,085	30,085	62,305	32,220
Earnings on Investments	4,000	4,000	5,115	1,115
Miscellaneous	815	815	10,850	10,035
<i>Total receipts</i>	<u>104,900</u>	<u>104,900</u>	<u>193,594</u>	<u>88,694</u>
Disbursements				
Current:				
General Government	128,525	128,525	111,761	16,764
Public Works	300	300	132	168
Health	13,000	13,000	12,976	24
Capital Outlay	20,001	20,001	0	20,001
<i>Total Disbursements</i>	<u>161,826</u>	<u>161,826</u>	<u>124,869</u>	<u>36,957</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(56,926)</u>	<u>(56,926)</u>	<u>68,725</u>	<u>125,651</u>
Other Financing (Uses)				
Transfers Out	0	0	(35,000)	(35,000)
Other Financing Uses	(5,643)	(5,643)	(5,233)	410
<i>Total Other Financing Sources</i>	<u>(5,643)</u>	<u>(5,643)</u>	<u>(40,233)</u>	<u>(34,590)</u>
<i>Net Change in Fund Balance</i>	(62,569)	(62,569)	28,492	91,061
<i>Fund Balance Beginning of Year</i>	<u>62,569</u>	<u>62,569</u>	<u>62,569</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$91,061</u>	<u>\$91,061</u>

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$68,000	\$68,000	\$81,542	\$13,542
Earnings on Investments	50	50	286	236
<i>Total receipts</i>	68,050	68,050	81,828	13,778
Disbursements				
Current:				
Public Works	71,593	71,593	50,426	21,167
Debt Service:				
Principal Retirement	25,000	25,000	20,989	4,011
Interest and Fiscal Charges	5,000	5,000	2,408	2,592
<i>Total Disbursements</i>	101,593	101,593	73,823	27,770
<i>Net Change in Fund Balance</i>	(33,543)	(33,543)	8,005	41,548
<i>Fund Balance Beginning of Year</i>	33,543	33,543	33,543	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$41,548	\$41,548

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$97,000	\$97,000	\$115,423	\$18,423
Intergovernmental	8,000	8,000	12,439	4,439
Miscellaneous	1,000	1,000	3,032	2,032
<i>Total receipts</i>	<u>106,000</u>	<u>106,000</u>	<u>130,894</u>	<u>24,894</u>
Disbursements				
Current:				
Public Works	140,402	140,402	75,472	64,930
Capital Outlay	2	2	0	2
<i>Total Disbursements</i>	<u>140,404</u>	<u>140,404</u>	<u>75,472</u>	<u>64,932</u>
<i>Net Change in Fund Balance</i>	(34,404)	(34,404)	55,422	89,826
<i>Fund Balance Beginning of Year</i>	<u>34,404</u>	<u>34,404</u>	<u>34,404</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$89,826</u></u>	<u><u>\$89,826</u></u>

See accompanying notes to the basic financial statements

DARBY TOWNSHIP
PICKAWAY COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$368,371
<i>Total Assets</i>	<u>368,371</u>
Net Assets	
Restricted for:	
Capital Projects	172,214
Other Purposes	133,888
Unrestricted	62,569
<i>Total Net Assets</i>	<u>\$368,671</u>

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF ACTIVITIES - 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, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$101,208	\$6,292	\$0	\$0	(\$94,916)
Public Safety	1,047	0	0	0	(1,047)
Public Works	199,874	35,854	82,324	0	(81,696)
Health	13,175	0	0	0	(13,175)
Capital Outlay	78,106	0	7,464	64,756	(5,886)
Debt Service:					
Principal	20,121	0	0	0	(20,121)
Interest	3,245	0	0	0	(3,245)
Total Governmental Activities	416,776	42,146	89,788	64,756	(220,086)
General Receipts					
Property and Other Local Taxes Levied for:					
					99,712
					101,894
					626
					2,510
					1,160
					184
					42,548
					4,482
					10,256
					Total General Receipts 263,372
					43,286
					325,385
					Net Assets End of Year \$368,671

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General Fund	Gasoline Tax Fund	Road and Bridge Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$62,569	\$33,543	\$34,404	\$172,214	\$65,941	\$368,671
<i>Total Assets</i>	<u>62,569</u>	<u>33,543</u>	<u>34,404</u>	<u>172,214</u>	<u>65,941</u>	<u>368,671</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	62,569	0	0	0	0	62,569
Special Revenue Funds	0	33,543	34,404	0	65,941	133,888
Capital Projects Fund	0	0	0	172,214	0	172,214
<i>Total Fund Balances</i>	<u>\$62,569</u>	<u>\$33,543</u>	<u>\$34,404</u>	<u>\$172,214</u>	<u>\$65,941</u>	<u>\$368,671</u>

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General Fund	Gasoline Tax Fund	Road and Bridge Fund	Permanent Improvement Fund	Public Works Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$99,712	\$0	\$101,894	\$0	\$0	\$34,159	\$235,765
Licenses, Permits and Fees	6,292	0	0	0	0	0	6,292
Intergovernmental	30,657	77,233	11,823	0	64,756	12,478	196,947
Special Assessments	0	0	0	0	0	6,175	6,175
Earnings on Investments	4,482	145	0	0	0	0	4,627
Miscellaneous	8,805	0	1,051	0	0	400	10,256
<i>Total Receipts</i>	<u>149,948</u>	<u>77,378</u>	<u>114,768</u>	<u>0</u>	<u>64,756</u>	<u>53,212</u>	<u>460,062</u>
Disbursements							
Current:							
General Government	101,208	0	0	0	0	0	101,208
Public Safety	0	0	0	0	0	1,047	1,047
Public Works	193	51,117	104,224	0	0	44,340	199,874
Health	11,383	0	0	0	0	1,792	13,175
Capital Outlay	0	6,810	0	6,540	64,756	0	78,106
Debt Service:							
Principal Retirement	9,832	10,289	0	0	0	0	20,121
Interest and Fiscal Chages	865	2,380	0	0	0	0	3,245
<i>Total Disbursements</i>	<u>123,481</u>	<u>70,596</u>	<u>104,224</u>	<u>6,540</u>	<u>64,756</u>	<u>47,179</u>	<u>416,776</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>26,467</u>	<u>6,782</u>	<u>10,544</u>	<u>(6,540)</u>	<u>0</u>	<u>6,033</u>	<u>43,286</u>
Other Financing Sources							
Transfers In	0	0	0	35,000	0	0	35,000
Transfers Out	(35,000)	0	0	0	0	0	(35,000)
<i>Total Other Financing Sources</i>	<u>(35,000)</u>	<u>0</u>	<u>0</u>	<u>35,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(8,533)</u>	<u>6,782</u>	<u>10,544</u>	<u>28,460</u>	<u>0</u>	<u>6,033</u>	<u>43,286</u>
<i>Fund Balances Beginning of Year</i>	<u>71,102</u>	<u>26,761</u>	<u>23,860</u>	<u>143,754</u>	<u>0</u>	<u>59,908</u>	<u>325,385</u>
<i>Fund Balances End of Year</i>	<u>\$62,569</u>	<u>\$33,543</u>	<u>\$34,404</u>	<u>\$172,214</u>	<u>\$0</u>	<u>\$65,941</u>	<u>\$368,671</u>

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
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		
Receipts				
Property and Other Local Taxes	\$55,000	\$55,000	\$99,712	\$44,712
Licenses, Permits and Fees	7,500	7,500	6,292	(1,208)
Intergovernmental	29,600	29,600	30,657	1,057
Earnings on Investments	1,000	1,000	4,482	3,482
Miscellaneous	490	490	8,805	8,315
<i>Total receipts</i>	93,590	93,590	149,948	56,358
Disbursements				
Current:				
General Government	128,585	128,585	101,208	27,377
Public Works	300	300	193	107
Health	12,000	12,000	11,383	617
Contingencies	3,806	3,806	0	3,806
Debt Service:				
Principal Retirement	15,001	15,001	9,832	5,169
Interest and Fiscal Charges	5,000	5,000	865	4,135
<i>Total Disbursements</i>	164,692	164,692	123,481	41,211
<i>Excess of Receipts Over (Under) Disbursements</i>	(71,102)	(71,102)	26,467	97,569
Other Financing (Uses)				
Transfers Out	0	0	(35,000)	(35,000)
<i>Total Other Financing Sources (Uses)</i>	0	0	(35,000)	(35,000)
<i>Net Change in Fund Balance</i>	(71,102)	(71,102)	(8,533)	62,569
<i>Fund Balance Beginning of Year</i>	71,102	71,102	71,102	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$62,569	\$62,569

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
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		
Receipts				
Intergovernmental	\$53,400	\$53,400	\$77,233	\$23,833
Earnings on Investments	100	100	145	45
<i>Total receipts</i>	53,500	53,500	77,378	23,878
Disbursements				
Current:				
Public Works	60,261	60,261	51,117	9,144
Capital Outlay	7,000	7,000	6,810	190
Debt Service:				
Principal Retirement	10,500	10,500	10,289	211
Interest and Fiscal Charges	2,500	2,500	2,380	120
<i>Total Disbursements</i>	80,261	80,261	70,596	9,665
<i>Net Change in Fund Balance</i>	(26,761)	(26,761)	6,782	33,543
<i>Fund Balance Beginning of Year</i>	26,761	26,761	26,761	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$33,543	\$33,543

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$93,000	\$93,000	\$101,894	\$8,894
Intergovernmental	6,900	6,900	11,823	4,923
Miscellaneous	100	100	1,051	951
<i>Total receipts</i>	<u>100,000</u>	<u>100,000</u>	<u>114,768</u>	<u>14,768</u>
Disbursements				
Current:				
Public Works	123,858	123,858	104,224	19,634
Capital Outlay	2	2	0	2
<i>Total Disbursements</i>	<u>123,860</u>	<u>123,860</u>	<u>104,224</u>	<u>19,636</u>
<i>Net Change in Fund Balance</i>	(23,860)	(23,860)	10,544	34,404
<i>Fund Balance Beginning of Year</i>	<u>23,860</u>	<u>23,860</u>	<u>23,860</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$34,404</u></u>	<u><u>\$34,404</u></u>

See accompanying notes to the basic financial statements

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Note 1 – Reporting Entity

Darby Township, Pickaway County, Ohio is a body politic and corporate established in 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.

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, including the regulation of zoning, road and bridge maintenance, and cemetery maintenance. The Township contracts with Tri-County Fire Department for fire protection and Sterling Joint Ambulance for 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.

The Township has no component units.

C. Jointly Governed Organizations and Public Entity Risk Pools

The Township does not participate in any jointly governed organizations; however the Township contracts with Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool who provides property and casualty coverage for its members. Note 8 to the financial statements provides additional information for this entity.

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

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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

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 fund 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 governmental.

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 following:

General Fund – The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Gasoline Tax Fund – The Gasoline Tax Fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Road and Bridge Fund – Road and Bridge Fund receives real estate property tax, personal property tax, manufactured home tax, and homestead and rollback for constructing, maintaining and repairing Township roads and bridges.

Permanent Improvement Fund – The Permanent Improvement Fund has been established by the Trustees in which money is transferred in from the General Fund for the purpose of constructing new buildings and building maintenance.

Public Works Commission Fund (2005 only) – Public Works Commission Fund receives grants to pay for an Issue II project for road improvements.

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

C. Basis of Accounting

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

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

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 object level for all funds.

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2006 and 2005, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$5,115 which includes \$4,258 assigned from other Township funds. Interest receipts credited to the General Fund during 2005 was \$4,482 which includes \$3,697 assigned from other Township funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Accumulated Leave

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

J. Long-Term Debt Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. 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.

At December 31, 2006 and 2005, the Township had outstanding debt for notes acquired to purchase a backhoe and a truck. As of December 31, 2006, the loan for the backhoe was paid in full and the loan for the truck had an outstanding principal balance of \$35,004.02.

K. Franchise Fees

The Township receives franchise fees from Time Warner Cable for the use of cable lines that run through the Township. These fees are collected quarterly by the Township. The Township records the collection of these fees as miscellaneous revenues.

L. 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 constructing, maintaining, and repairing Township roads and bridges.

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.

M. 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.

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.

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 3 – Change in Basis of Accounting

In previous years the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. Beginning in 2005, the Township has implemented the 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. This change had no effect on fund balance as previously reported.

Note 4 – Change in Accounting Principle

The Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure." GASB Statement No. 40 established and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the Township's financial statements.

Note 5 – 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, and Road and Bridge Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 6 – 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;

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 6 – 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

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006, \$406,338 of the Township's bank balance of \$506,338 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institutions trust department or agent, but not in the Township's name. While at December 31, 2005, \$168,671 of the Township's bank balance of \$368,671 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institutions trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayments, 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.

The Township did not have any investments as of December 31, 2006 or December 31, 2005.

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes, and real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. 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 2006 represent the collection of 2005 taxes, and public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, 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 2006 (other than public utility property) represent the collection of 2006 taxes, and 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 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. 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, 2006, and December 31, 2005, was \$10.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

	2006	2005
Real Property		
Residential	\$42,903,620	\$37,769,460
Agriculture	7,197,970	7,048,540
Commercial/Industrial/Mineral	3,665,550	2,436,170
Public Utility Property		
Real	24,890	36,850
Personal	14,090,550	3,475,060
Tangible Personal Property	1,414,910	1,494,133
Total Assessed Value	\$69,297,490	\$52,260,213

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 8 – Risk Management

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

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

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

Casualty Coverage

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

Casualty Coverage (Continued)

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

Property Coverage

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

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

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

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

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 8 – Risk Management (Continued)

Financial Position

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

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

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

December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and 11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$13,914. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Township Contributions to OTARMA</u>	
2004	\$9,163
2005	\$9,313
2006	\$6,957

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

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 9 – Defined Benefit Pension Plan

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) 222-5601 or 800-222-7377.

For the years ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9 and 8.5 percent of their annual covered salaries, respectively. The Township's contribution rate for pension benefits for 2006 and 2005 were 13.70 and 13.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$9,997, \$9,623, and \$10,107 respectively; 100 percent has been contributed for 2006, 2005, and 2004.

Note 10 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.70 and 13.55 percent, respectively, of covered payroll; 4.50 and 4 percent of covered payroll was the portion that was used to fund health care in 2006 and 2005, respectively.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 10 - Postemployment Benefits (Continued)

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 and 2005 which were used to fund postemployment benefits were \$3,219 and \$2,841, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 11 – Debt

The Township's long-term debt activity for the years ended December 31, 2006 and 2005, was as follows:

2006	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
<u>Governmental Activities</u>					
Equipment Note (Backhoe)	4.25%	\$10,279	\$0	\$10,279	\$0
Equipment Note (Truck)	4.25%	\$45,714	\$0	\$10,710	\$35,004
Total Long-Term Debt		<u>\$55,993</u>	<u>\$0</u>	<u>\$20,989</u>	<u>\$35,004</u>
2005	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
Equipment Note (Backhoe)	4.25%	\$20,112	\$0	\$9,833	\$10,279
Equipment Note (Truck)	4.25%	\$56,003	\$0	\$10,289	\$45,714
Total Long-Term Debt		<u>\$76,115</u>	<u>\$0</u>	<u>\$20,122</u>	<u>\$55,993</u>

The Equipment Note (Backhoe) relates to the purchase of a new Backhoe for Township use. The Note was issued in May of 2002 in the amount of \$37,954.55. This Note is to be repaid in annual installments of \$10,697, including interest, over four years. As of December 31, 2006 this loan was paid in full.

The Equipment Note (Truck) relates to the purchase of a new IHC Truck for Township use. The Note was issued in August of 2004 in the amount of \$56,003.12. The Note is to be repaid in annual installments of \$12,689, including interest, over five years.

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 11 – Debt (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year	Equipment Note Truck
2007	\$12,689
2008	\$12,689
2009	\$12,689
Totals	<u>\$38,067</u>

Note 12 – Interfund Transfers

During 2006 and 2005 the following transfers were made:

	<u>2006</u>	<u>2005</u>
Transfers from the General Fund to:		
Permanent Improvement Fund	<u>\$35,000</u>	<u>\$35,000</u>
Total Transfers from the General Fund	<u>\$35,000</u>	<u>\$35,000</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance the construction of new buildings and building maintenance.

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Mary Taylor, CPA

Auditor of State

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

Darby Township
Pickaway County
P.O. Box 37
Derby, Ohio 43117

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 Darby Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 3, 2007, wherein we noted 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*. We also noted that 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. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Darby Township
Pickaway County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-001 and 2006-003 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 3, 2007.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 3, 2007.

We intend this report solely for the information and use of management and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 3, 2007

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Competitive Bidding – Non-Compliance/Significant Deficiency/Material Weakness

Ohio Revised Code § 5549.21 requires that the board of township trustees may purchase or lease such machinery and tools as are necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the township, and shall provide suitable places for housing and storing machinery and tools owned by the township. It may purchase such material and employ such labor as is necessary for carrying into effect this section, or it may authorize the purchase or employment of such material and labor by one of its number, or by the township highway superintendent, at a price to be fixed by the board. All payment on account of machinery, tools, material, and labor shall be made from the township road fund. Except as otherwise provided in sections 505.08, 505.101, and 5513.01 of the Revised Code, all purchases of materials, machinery, and tools shall, if the amount involved exceeds twenty-five thousand dollars, be made from the lowest responsible bidder after advertisement, as provided in section 5575.01 of the Revised Code.

The Township completed a road resurfacing project in 2006, in which they purchased materials from Kokosing Materials Inc. for \$39,308.85 and did not award the contract using competitive bidding procedures.

Failure to use competitive bidding procedures, when required, could lead to excess spending of Township funds.

We recommend that the Township award all contracts over \$25,000 using competitive bidding procedures as required by the Ohio Revised Code.

Official's Response: We did not receive a response from the Officials to this finding.

FINDING NUMBER 2006-002

Timely Deposit of Public Funds – Non-Compliance/Significant Deficiency

Ohio Revised Code § 9.38 requires that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Zoning fees are collected by the Zoning Inspector and deposited monthly with the Fiscal Officer.

Failure to deposit funds in a timely manner with either the bank or the Fiscal Officer allows for the potential of theft or fraud.

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002 (Continued)

Timely Deposit of Public Funds – Non-Compliance/Significant Deficiency (Continued)

We recommend either the Zoning Inspector and Fiscal Officer develop a process that allows zoning fees collected to be deposited with the Fiscal Officer or the bank within one business day of collection or for the Board to approve a policy allowing personnel to maintain cash for a period of time greater than one but no later than 3 business days if collection is less than \$1,000.

Official's Response: We did not receive a response from the Officials to this finding.

FINDING NUMBER 2006-003

Financial Statement Adjustments – Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the Chief Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the December 31, 2006 and 2005 financial statements:

1. To reclassify \$23,397 of capital outlay expenditures to debt principal and interest payments in the Gas Tax Fund for 2005 and \$23,366 of capital outlay expenditures to debt principal and interest in the General and Gas Tax Funds, \$10,697 and \$12,669, respectively.
2. To adjust payments of \$35,000 received in lieu of taxes the Township inaccurately posted directly to the Permanent Improvement Fund instead of the General Fund for both 2006 and 2005. Also, reflected the amount as a transfer between the General Fund and the Permanent Improvement Fund. These monies should be posted in the General fund when received and then, if the Board deems necessary, transferred via board approval to the Permanent Improvement Fund.

The following audit adjustments and reclassifications were inconsequential to the overall financial statements of the Township and were not posted to the December 31, 2006 and 2005 financial statements.

2006

1. Posted gross amount of estate tax received, instead of net, in the amount \$282 in the General Fund.
2. Allocate interest in the amount of \$329 from the General Fund to the Motor Vehicle License Tax and Permissive Motor Vehicle License Tax Funds.
3. Reclassified \$5,233 in other financing uses to general government disbursements in the General Fund.

2005

1. Allocate interest in the amount of \$205 from the General Fund to the Motor Vehicle License Tax and Permissive Motor Vehicle License Tax Funds.
2. Reclassified \$1,052 in miscellaneous revenues to reduction of expenditures in the General Fund.
3. Reclassified \$4,073 in miscellaneous revenues to sale of fixed assets in the General Fund.

**DARBY TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2006-003 (Continued)

Financial Statement Adjustments – Significant Deficiency/Material Weakness (Continued)

The adjustments and reclassifications identified above should be reviewed by the Chief Financial Officer to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the Township adopt procedures for the review of the activity posted to the accounting records and subsequent financial statements.

Official's Response: We did not receive a response from the Officials to the findings reported above.



Mary Taylor, CPA
Auditor of State

DARBY TOWNSHIP

PICKAWAY 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
SEPTEMBER 13, 2007**