



**Auditor of State
Betty Montgomery**

**VALLEY TOWNSHIP
GUERNSEY COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Valley Township
Guernsey County
55365 Marietta Road
Pleasant City, Ohio 43772

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 Valley Township, Guernsey 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 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 Valley Township, Guernsey County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, Cemetery II – Sales and Fees, Fire District (Levy), and FEMA 2005(1) 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*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 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

May 26, 2006

Valley Township
Guernsey County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of Valley 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 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 \$52,215, or 26 percent, a significant change from the prior year. The funds realizing the increase the most were the Road and Bridge and Fire District (Levy) Funds. FEMA funding affected the increase for the Road and Bridge Fund, while decreased expenditures for the Fire District (Levy) Fund affected that fund's increase.

The Township's general receipts are primarily property taxes and intergovernmental revenue. These receipts represent 75 percent of the total cash received for governmental activities during the year. Property taxes and intergovernmental revenue for 2005 changed very little compared to 2004 as development within the Township has slowed.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Valley Township
Guernsey County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

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

In the statement of net assets and the statement of activities, the Township reports only one type of activity:

Governmental activities. All of the Township's basic services are reported here including fire, streets and parks. 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.

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 that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are governmental:

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: General, Gasoline Tax, Road and Bridge, Cemetery II – Sales and Fees, Fire District (Levy) and FEMA 2001-(1) Funds. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements.

Valley Township
Guernsey County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Government as a Whole

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

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$250,527	\$198,312
Total Assets	\$250,527	\$198,312
 Net Assets		
Restricted for:		
Other Purposes	\$185,804	\$149,466
Unrestricted	64,723	48,846
Total Net Assets	\$250,527	\$198,312

As mentioned previously, net assets of governmental activities increased \$ 52,215 or 26 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Unanticipated revenue from FEMA grant monies totaling approximately \$96,000.
- Decrease in late fees (and fines) regularly incurred under the previous Clerk.
- Increases in interest on account through a depository agreement, where there was none previously.

Valley Township
Guernsey County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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.

(Table 2)
Changes in Net Assets

	Governmental Activities <u>2005</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$12,248
Operating Grants and Contributions	177,013
Capital Grants and Contributions	16,968
Total Program Receipts	<u>206,229</u>
General Receipts:	
Property and Other Local Taxes	104,822
Income Taxes	
Grants and Entitlements Not Restricted to Specific Programs	35,852
Interest	11,081
Miscellaneous	87,602
Total General Receipts	<u>239,357</u>
Total Receipts	<u>445,586</u>
Disbursements:	
General Government	37,100
Public Safety	12,821
Public Works	310,446
Health	29,041
Conservation - Recreation	3,963
Total Disbursements	<u>393,371</u>
Increase in Net Assets	52,215
Net Assets, January 1, 2005	<u>198,312</u>
Net Assets, December 31, 2005	<u>\$250,527</u>

Program receipts (\$206,229) represent 46 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 54 percent of the Township's total receipts, and of this amount, over 44 percent are local taxes. State and federal grants and entitlements make up most of the balance of the Township's general receipts (15 percent). 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 Trustees and the clerk, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 30% of General Fund unrestricted receipts.

Valley Township
 Guernsey County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005
 Unaudited

Public Safety are the costs of fire protection; Public Works is the general maintenance as well as repair of roads; Health Services is the health department and Conservation-Recreation is the cost of maintaining the parks and playing fields.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works and General Government, which account for 79 and 9 percent of all governmental disbursements, respectively. Health also represents a significant cost, about 7 percent. The next three 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 (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$37,100	(\$37,100)
Public Safety	12,821	(12,821)
Public Works	310,446	(116,465)
Health	29,041	(16,841)
Conservation - Recreation	3,963	(3,963)
Other	0	48
Total Expenses	\$393,371	(\$187,142)

The dependence upon property tax receipts and unrestricted grants and entitlements is apparent as over 61 percent of governmental activities are supported through these general receipts.

Valley Township
Guernsey County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Government's Funds

Total governmental funds had receipts of \$445,586 and disbursements of \$393,371. The greatest change within governmental funds occurred within the Road and Bridge and Fire District (Levy) Funds. The fund balance of the Road and Bridge Fund increased \$13,046, which is a 99 percent increase for that fund. Receipts consist of local tax monies and expenditures are restricted to road maintenance and repair. The fund balance of the Fire District (Levy) Fund increased \$14,093, which is a 96 percent increase for that fund. Receipts for the Fire District (Levy) Fund are derived from local property tax receipts and are restricted to expenditures for fire protection.

General Fund receipts were more than disbursements by \$14,553 indicating that the General Fund is in a conservative spending mode.

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.

Changes from the original budget to the final budget have been minimal. Fluctuations in growth and diversity have typically not occurred in the Township, allowing the Board of Trustees the ability to consistently predict receipts and disbursements. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$97,340 while actual disbursements were \$38,601. The Township spent conservatively, spending well below the budgeted expenditure amounts. The result is the increase in fund balance of \$15,877 for 2005 for the General Fund.

Current Issues

The challenge for all Governments 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 no industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Township, especially insurance costs. As can be evidenced through a review of the accompanying financial statements, the Township has significantly decreased spending to a level on par with the reduced revenue it receives.

Contacting the Government'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 Renna E. Dolan, Clerk/Fiscal Officer, Valley Township, 55365 Marietta Road, Pleasant City, Ohio 43772-9712.

Valley Township, Guernsey County

Statement of Net Assets - Cash Basis

December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$250,527</u>
<i>Total Assets</i>	<u><u>\$250,527</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$185,804
Unrestricted	<u>64,723</u>
<i>Total Net Assets</i>	<u><u>\$250,527</u></u>

See accompanying notes to the basic financial statements.

Valley Township, Guernsey 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 and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$37,100	\$0	\$0	\$0	(\$37,100)
Public Safety	12,821				(12,821)
Public Works	310,446		177,013	16,968	(116,465)
Health	29,041	12,200			(16,841)
Conservation-Recreation	3,963				(3,963)
Other		48			48
Total	<u>\$393,371</u>	<u>\$12,248</u>	<u>\$177,013</u>	<u>\$16,968</u>	<u>(187,142)</u>
		General Receipts			
		Property Taxes Levied for:			
				General Purposes	104,822
				Grants and Entitlements not Restricted to Specific Programs	35,852
				Interest	11,081
				Miscellaneous	87,602
				<i>Total General Receipts</i>	<u>239,357</u>
				Change in Net Assets	52,215
				<i>Net Assets Beginning of Year</i>	<u>198,312</u>
				<i>Net Assets End of Year</i>	<u>\$250,527</u>

See accompanying notes to the basic financial statements.

Valley Township, Guernsey County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Gasoline Tax Fund	Road and Bridge Fund	Cemetery II - Sales & Fees Fund	Fire District (Levy) Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$64,723	\$28,250	\$26,164	\$60,050	\$28,695	\$42,645	\$250,527
<i>Total Assets</i>	<u>\$64,723</u>	<u>\$28,250</u>	<u>\$26,164</u>	<u>\$60,050</u>	<u>\$28,695</u>	<u>\$42,645</u>	<u>\$250,527</u>
Fund Balances							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	\$64,723	\$0	\$0	\$0	\$0	\$0	\$64,723
Special Revenue Funds		28,250	26,164	60,050	28,695	42,645	185,804
<i>Total Fund Balances</i>	<u>\$64,723</u>	<u>\$28,250</u>	<u>\$26,164</u>	<u>\$60,050</u>	<u>\$28,695</u>	<u>\$42,645</u>	<u>\$250,527</u>

See accompanying notes to the basic financial statements.

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

	General	Gasoline Tax	Road And Bridge	Cemetery II Sales	Fire District Levy	FEMA 2005-(1)	Other Governmental Funds	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$18,715	\$0	\$47,275	\$0	\$23,508	\$0	\$15,324	\$104,822
Licenses, Permits and Fees	48			10,700				10,748
Intergovernmental	22,977	77,233	6,702		4,135	48,674	70,112	229,833
Interest	8,926	1,820					335	11,081
Other	2,488	17,937	33,936	1,500			33,241	89,102
<i>Total Receipts</i>	<u>53,154</u>	<u>96,990</u>	<u>87,913</u>	<u>12,200</u>	<u>27,643</u>	<u>48,674</u>	<u>119,012</u>	<u>445,586</u>
Disbursements								
Current:								
General Government	34,638	508				1,872	82	37,100
Public Safety					12,821			12,821
Public Works		97,698	78,605		729	46,802	86,612	310,446
Health				150			28,891	29,041
Conservation-Recreation	3,963							3,963
<i>Total Disbursements</i>	<u>38,601</u>	<u>98,206</u>	<u>78,605</u>	<u>150</u>	<u>13,550</u>	<u>48,674</u>	<u>115,585</u>	<u>393,371</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,553</u>	<u>(1,216)</u>	<u>9,308</u>	<u>12,050</u>	<u>14,093</u>	<u>0</u>	<u>3,427</u>	<u>52,215</u>
Other Financing Sources (Uses)								
Transfers In	1,324	3,605	3,738				6,488	15,155
Transfers Out							(15,155)	(15,155)
<i>Total Other Financing Sources (Uses)</i>	<u>1,324</u>	<u>3,605</u>	<u>3,738</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,667)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>15,877</u>	<u>2,389</u>	<u>13,046</u>	<u>12,050</u>	<u>14,093</u>	<u>0</u>	<u>(5,240)</u>	<u>52,215</u>
<i>Fund Balances Beginning of Year</i>	<u>48,846</u>	<u>25,861</u>	<u>13,118</u>	<u>48,000</u>	<u>14,602</u>	<u>0</u>	<u>47,885</u>	<u>198,312</u>
<i>Fund Balances End of Year</i>	<u>\$64,723</u>	<u>\$28,250</u>	<u>\$26,164</u>	<u>\$60,050</u>	<u>\$28,695</u>	<u>\$0</u>	<u>\$42,645</u>	<u>\$250,527</u>

See accompanying notes to the basic financial statements.

Valley Township, Guernsey 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		
Receipts				
Property and Other Local Taxes	\$16,639	\$18,251	\$18,715	\$464
Licenses, Permits and Fees	48	53	48	(5)
Intergovernmental	21,309	23,373	22,977	(396)
Interest	5,400	5,923	8,926	3,003
Other	1,902	2,086	2,488	402
<i>Total Receipts</i>	45,298	49,686	53,154	3,468
Disbursements				
Current:				
General Government	90,043	91,834	34,638	57,196
Conservation-Recreation	4,100	5,506	3,963	1,543
<i>Total Disbursements</i>	94,143	97,340	38,601	58,739
<i>Excess of Receipts Over (Under) Disbursements</i>	(48,845)	(47,654)	14,553	62,207
Other Financing Sources				
Transfers In	0	0	1,324	1,324
<i>Total Other Financing Sources</i>	0	0	1,324	1,324
<i>Net Change in Fund Balance</i>	(48,845)	(47,654)	15,877	63,531
<i>Fund Balance Beginning of Year</i>	48,846	48,846	48,846	0
<i>Fund Balance End of Year</i>	\$1	\$1,192	\$64,723	\$63,531

See accompanying notes to the basic financial statements.

Valley Township, Guernsey 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			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$ 67,000	\$ 84,765	\$ 77,233	\$ (7,532)
Interest	600	759	1,820	1,061
Other	0	0	17,937	17,937
<i>Total Receipts</i>	<u>67,600</u>	<u>85,524</u>	<u>96,990</u>	<u>11,466</u>
Disbursements				
Current:				
General Government	5,000	5,000	508	4,492
Public Works	88,461	108,803	97,698	11,105
<i>Total Disbursements</i>	<u>93,461</u>	<u>113,803</u>	<u>98,206</u>	<u>15,597</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(25,861)</u>	<u>(28,279)</u>	<u>(1,216)</u>	<u>27,063</u>
Other Financing Sources				
Transfers In	0	3,605	3,605	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>3,605</u>	<u>3,605</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(25,861)	(24,674)	2,389	27,063
<i>Fund Balance Beginning of Year</i>	<u>25,861</u>	<u>25,861</u>	<u>25,861</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$1,187</u>	<u>\$28,250</u>	<u>\$27,063</u>

See accompanying notes to the basic financial statements.

Valley Township, Guernsey 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			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$43,664	\$73,431	\$47,275	(\$26,156)
Intergovernmental	6,104	10,265	6,702	(3,563)
Other	0	0	33,936	33,936
<i>Total Receipts</i>	<u>49,768</u>	<u>83,696</u>	<u>87,913</u>	<u>4,217</u>
Disbursements				
Current:				
Public Works	62,886	99,035	78,605	20,430
<i>Total Disbursements</i>	<u>62,886</u>	<u>99,035</u>	<u>78,605</u>	<u>20,430</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,118)</u>	<u>(15,339)</u>	<u>9,308</u>	<u>24,647</u>
Other Financing Sources				
Transfers In	0	3,738	3,738	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>3,738</u>	<u>3,738</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(13,118)	(11,601)	13,046	24,647
<i>Fund Balance Beginning of Year</i>	<u>13,118</u>	<u>13,118</u>	<u>13,118</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$1,517</u>	<u>\$26,164</u>	<u>\$24,647</u>

See accompanying notes to the basic financial statements.

Valley Township, Guernsey County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Cemetery II - Sales and Fees Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Licenses, Permits and Fees	\$ 5,000	\$ 5,000	\$ 10,700	\$ 5,700
Other	1,000	1,000	1,500	500
<i>Total Receipts</i>	<u>6,000</u>	<u>6,000</u>	<u>12,200</u>	<u>6,200</u>
Disbursements				
Current:				
Health	<u>54,000</u>	<u>54,000</u>	<u>150</u>	<u>53,850</u>
<i>Total Disbursements</i>	<u>54,000</u>	<u>54,000</u>	<u>150</u>	<u>53,850</u>
<i>Net Change in Fund Balance</i>	(48,000)	(48,000)	12,050	60,050
<i>Fund Balance Beginning of Year</i>	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$60,050</u>	<u>\$60,050</u>

See accompanying notes to the basic financial statements.

Valley Township, Guernsey County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District (Levy) 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	\$21,572	\$21,572	\$23,508	\$1,936
Intergovernmental	3,014	3,014	4,135	1,121
<i>Total Receipts</i>	<u>24,586</u>	<u>24,586</u>	<u>27,643</u>	<u>3,057</u>
Disbursements				
Current:				
Public Safety	36,063	36,063	12,821	23,242
Public Works	3,125	3,125	729	2,396
<i>Total Disbursements</i>	<u>39,188</u>	<u>39,188</u>	<u>13,550</u>	<u>25,638</u>
<i>Net Change in Fund Balance</i>	(14,602)	(14,602)	14,093	28,695
<i>Fund Balance Beginning of Year</i>	<u>14,602</u>	<u>14,602</u>	<u>14,602</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$28,695</u></u>	<u><u>\$28,695</u></u>

See accompanying notes to the basic financial statements.

Valley Township, Guernsey County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
FEMA 2005 (1) Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$0	\$ 48,674	\$ 48,674	\$0
<i>Total Receipts</i>	<u>0</u>	<u>48,674</u>	<u>48,674</u>	<u>0</u>
Disbursements				
Current:				
General Government	0	1,872	1,872	0
Public Works	0	46,802	46,802	0
<i>Total Disbursements</i>	<u>0</u>	<u>48,674</u>	<u>48,674</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

Valley Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

Valley Township, Guernsey 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 Clerk / 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, and cemetery maintenance. The Township contracts with the Pleasant City Volunteer Fire Department for fire protection. Police protection is provided by the Guernsey County Sheriff Department.

B. Component Units

Component units are legally separate organizations for which a Township is financially accountable. A 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. A 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.

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

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.

Valley Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

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 non-exchange transactions.

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds.

Valley Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

General Fund - The Township's only required major governmental fund is the General Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose. The Township had the following major funds in addition to the General Fund as mentioned above.

Gasoline Tax Fund - This fund receives gasoline tax money. Funds are restricted to the purpose of road maintenance provided it is expended according to the general laws of Ohio.

Road and Bridge Fund – This fund receives property tax money. Funds are restricted to the purpose of road maintenance provided it is expended according to the general laws of Ohio.

Cemetery II-Sales & Fees – This fund is funded by the proceeds of sales of lots and fees associated with Township cemeteries. This fund is restricted and available to the Township for any purpose relating to the Township's cemeteries provided it is expended or transferred according to the general laws of Ohio.

Fire District (Levy) – A major fund, funded by a Special Levy outside the 10 mill limit. This fund balance is available to the Township for the purpose of fire protection provided it is expended or transferred according to the general laws of Ohio.

FEMA 2005-(1) Fund – This fund is funded by Federal grant money and restricted to the purpose of flood recovery as set forth in guidelines of the Federal Emergency Management Agency.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. 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-certified by the County Budget Commission-establishes a limit on the amount the Township may appropriate.

Valley Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (Continued)

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

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. 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. The Township had no investments.

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 \$8,926.

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. Interfund Receivables/Payables

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

Note 2 – Summary of Significant Accounting Policies (continued)

I. Accumulated Leave

Upon leaving employment or retirement, employees are not entitled to cash payments for unused leave. Therefore, unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

J. 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.

K. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for 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. Lease payments are reported when paid.

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 road maintenance, fire protection and cemetery maintenance.

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. 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.

N. Inter-fund 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 inter-fund transfers. Inter-fund 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 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 cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Also as described in note 2, the Township has not elected to report inventory, prepaid items, inter-fund receivables (payables), capital assets, and long-term debt as part of the cash basis of accounting. The transition from the regulatory basis of accounting to the cash basis of accounting generated no changes to fund balance/equity as previously reported at December 31, 2004.

Note 4 – Compliance

The Township did not encumber all commitments required by Ohio law.

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 – Budget Basis presented for the General Fund and the following major special revenue funds: Gasoline Tax Fund, Road & Bridge Fund, Cemetery II-Sales & Fees, Fire District(Levy), and FEMA 2005-(1), 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.

Valley Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 - Deposits and Investments (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage 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 (STAROhio).

The Township had no investments; it only deposited and held monies in an interest drawing primary checking account at a financial institution (Advantage Bank) which provided a statement of pledged collateral. Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Valley Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 - Deposits and Investments (continued)

Custodial credit 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 year end, the carrying amount of the Township's deposits was \$250,527 and the bank balance was \$250,787. Of the bank balance \$100,000 was covered by federal deposit insurance and \$150,787 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

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

Note 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 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 \$10 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:

Valley Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 7 – Property Taxes (continued)

Real Property	
Residential	\$11,121,820
Agriculture	2,690,410
Commercial/Industrial/Mineral	1,164,870
Public Utility Property	
Real	3,300
Personal	2,000,280
Tangible Personal Property	436,220
Total Assessed Value	\$17,416,900

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

Legal Liability	\$2,000.00	Per Occurrence
Automobile Liability	2,000.00	Per Occurrence
Wrongful Acts	2,000.00	Per Occurrence
Property	420,676.00	Total Coverage

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

The Township provided group health insurance (Medical Mutual) for employees and their spouses or reimbursement thereof according to the general laws of Ohio, and \$10,000 life insurance premium (Medical Mutual & Fort Dearborn Life) coverage for employees.

Note 9 – Defined Benefit Pension Plan

A. 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) 222-6701 or (800) 222-7377.

The Township had five (5) employees participating in the traditional plan and one(1) in the combined plan, OPERS-G(Government).

For the year ended December 31, 2005, the all of the Township's members 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, and 2004 were \$9,222, and \$8,904 respectively. The full amount has been contributed for 2005 and 2004.

Note 10 - Postemployment Benefits

A. 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 qualified survivor benefit 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.

Valley Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 10 - Postemployment Benefits (continued)

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 to 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. 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. Members 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 the FEMA Fund (in accordance with Auditor of State Audit Bulletin 1998-013) to:	
General Fund	\$1,324
Gasoline Tax Fund	3,605
Road and Bridge Fund	3,738
Other Governmental Funds	6,488
Total Transfers from the FEMA Fund	<u>\$15,155</u>

Transfers represent transfers of FEMA monies related to disasters which occurred in the Township during 2005. Transfers were made in accordance with Auditor of State Bulletin 1998-013 – Accounting for FEMA grants.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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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*

Valley Township
Guernsey County
55365 Marietta Road
Pleasant City, Ohio 43772

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 Valley Township, Guernsey 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 May 26, 2006, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. 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 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 in order to express our opinions 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. In a separate letter to the Township's management dated May 26, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the Township's management dated May 26, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Valley Township
Guernsey County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Governmental Auditing Standards*

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.

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

Betty Montgomery
Auditor of State

May 26, 2006

VALLEY TOWNSHIP
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code Sections 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 34.6% of expenditures tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VALLEY TOWNSHIP
GUERNSEY COUNTY**

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

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2005-001
(Continued)**

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township Clerk certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Township Clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Township Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

We did not receive a response from Officials to the finding reported above.

**VALLEY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 135.18, deposits exceeded FDIC coverage.	Yes	N/A.
2004-002	Ohio Rev. Code Section 5705.41(D)(1), not certifying the availability of funds prior to incurring an obligation.	No	Not corrected; Reissued as Finding Number 2005-001.



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Betty Montgomery**

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VALLEY TOWNSHIP

GUERNSEY 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
JULY 25, 2006**