

**TROY TOWNSHIP
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006



Mary Taylor, CPA

Auditor of State

Board of Trustees
Troy Township
P.O. Box 56
Nova, Ohio 44859

We have reviewed the *Report of Independent Accountants* of Troy Township, Ashland County, prepared by Knox & Knox, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Troy Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

June 23, 2008

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**TROY TOWNSHIP
ASHLAND COUNTY**

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KNOX & KNOX

Accountants and Consultants

REPORT OF INDEPENDENT ACCOUNTANTS

Troy Township
Ashland County
901 US 224
Nova, Ohio 44859

To the Board of Trustees

We have audited the accompanying financial statements of Troy Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2007, and December 31, 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. While the Township does not follow GAAP, auditing standards generally accepted in the United States of America require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure the financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Troy Township as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to accounting principles generally accepted in the United States of America also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. 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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

KNOX & KNOX

Orrville, Ohio,
May 15, 2008

**TROY TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent Fund	
CASH RECEIPTS:					
Property and Other Local Taxes	\$22,687	\$96,301			\$118,988
Fines, Licenses, and Permits	4,850	2,000			6,850
Intergovernmental	33,913	114,147	\$309,638		457,698
Earnings on Investments	495	265		\$12	772
Miscellaneous	1,151	6,229			7,380
	<u>63,096</u>	<u>218,942</u>	<u>309,638</u>	<u>12</u>	<u>591,688</u>
Total Cash Receipts					
CASH DISBURSEMENTS:					
Current:					
General Government	40,790				40,790
Public Safety		15,224			15,224
Public Works	5,219	138,665			143,884
Health	580	2,952			3,532
Conservation/Recreation	2,571				2,571
Capital Outlay		2,250	309,638		311,888
Lease Payments		13,096			13,096
	<u>49,160</u>	<u>172,187</u>	<u>309,638</u>	<u>12</u>	<u>530,985</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>13,936</u>	<u>46,755</u>	<u> </u>	<u>12</u>	<u>60,703</u>
Fund Cash Balances, January 1	<u>16,245</u>	<u>60,580</u>	<u> </u>	<u>3,110</u>	<u>79,935</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$30,181</u>	<u>\$107,335</u>	<u> </u>	<u>\$3,122</u>	<u>\$140,638</u>

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

**TROY TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent Fund	
CASH RECEIPTS:				
Property and Other Local Taxes	\$22,246	\$91,164		\$113,410
Fines, Licenses, and Permits	5,100	750		5,850
Intergovernmental	30,912	103,008		133,920
Earnings on Investments	389	161	\$14	564
Miscellaneous	229	1,108		1,337
	<u>58,876</u>	<u>196,191</u>	<u>14</u>	<u>255,081</u>
Total Cash Receipts				
CASH DISBURSEMENTS:				
Current:				
General Government	51,827			51,827
Public Safety		16,801		16,801
Public Works	4,985	138,953		143,938
Health		8,898		8,898
Conservation/Recreation	4,494			4,494
Capital Outlay		6,550		6,550
Lease Payments		6,601		6,601
Debt Service:				
Principal Payments		2,000		2,000
	<u>61,306</u>	<u>179,803</u>	<u>14</u>	<u>241,109</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(2,430)</u>	<u>16,388</u>	<u>14</u>	<u>13,972</u>
Fund Cash Balances, January 1	<u>18,675</u>	<u>44,192</u>	<u>3,096</u>	<u>65,963</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$16,245</u>	<u>\$60,580</u>	<u>\$3,110</u>	<u>\$79,935</u>

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

**TROY TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Troy Township, Ashland County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board. The Township provides general governmental services, including maintenance of Township roads, bridges and cemetery.

The Troy Township Waste Water District is a body politic established to handle all waste water affairs in the Township. On December 7, 2001, the Ashland County Common Pleas Court declared the District to be finally and completely organized and to be a political subdivision. These financial statements do not include the activities of the Troy Township Waste Water District.

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

General Fund - The General Fund is the general operating fund. It is used for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

Motor Vehicle License Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money for the construction, repair and maintenance of Township roads and bridges.

Road and Bridge Funds - These funds receive real estate and personal property tax money for constructing, maintaining and repairing Township roads and bridges.

**TROY TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

Cemetery Funds - These funds receive real estate and personal property tax money and generate money through the selling of cemetery lots and donations from the general public. This money is disbursed for the maintenance and upkeep of Township cemeteries.

Fire District - This fund receives real estate and personal property tax money for the operation of a volunteer fire department for the Township.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisitions or construction of major facilities (other than those financed by proprietary funds). The Township had the following significant Capital Projects Funds:

Public Works Projects - This fund receives money from the State and is to be used for public works capital projects.

Permanent Fund - Permanent funds are used to account for resources restricted by legally binding trust agreements. The Township has the following significant permanent fund:

Permanent Fund - This fund receives money from the bequests of individuals. The earnings of which are expended for the upkeep of cemeteries and the purchase of cemetery land.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations - Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the department, division or office level of control and within each the amounts appropriated for personal services. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**TROY TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31, 2007 and 2006 was as follows:

	2007	2006
Demand deposits	\$140,638	\$79,935

Demand deposits - Deposits are insured by the Federal Depository Insurance Corporation and security pledged as collateral.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2007 and December 31, 2006 are as follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,097	\$ 63,095	\$5,998
Special Revenue	193,734	218,943	25,209
Capital Projects	309,638	309,638	
Permanent	18	12	(6)
Total	\$560,487	\$591,688	\$31,201

2007 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,343	\$49,160	\$24,183
Special Revenue	254,313	172,187	82,126
Capital Projects	309,638	309,638	
Permanent	1,620		1,620
Total	\$638,914	\$530,985	\$107,929

**TROY TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006**

3. BUDGETARY ACTIVITY (continued)

Fund Type	2006 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$55,765	\$58,876	\$3,111
Special Revenue	181,083	196,190	15,107
Permanent	17	14	(3)
Total	\$236,865	\$255,080	\$18,215

Fund Type	2006 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,441	\$61,306	\$13,135
Special Revenue	225,274	179,803	45,471
Permanent	1,605		1,605
Total	\$301,320	\$241,109	\$60,211

4. CAPITAL LEASE

Capital leases outstanding at December 31, 2007 consisted of the following:

	2007	Interest Rate
Backhoe	\$59,035	5.99%

Amortization of the above lease is as follows:

Year ending December 31	Backhoe		
	Principal	Imputed Interest	Total
2008	\$3,896	\$2,663	\$6,559
2009	4,128	2,431	6,559
2010	4,374	2,185	6,559
2011	4,635	1,924	6,559
2012	4,911	1,648	6,559
2013-2016	22,754	3,486	26,240
Total	\$44,698	\$14,337	\$59,035

The Township entered into a lease purchase agreement in October, 2006, to acquire a backhoe. Imputed interest is at the rate of 5.99%. Annual payments are \$6,559.

**TROY TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2007 AND 2006**

5. PROPERTY TAX

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

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

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

6. RETIREMENT SYSTEMS

The Board of Trustees, Township Clerk, and other employees of the Township belong to the Public Employee's Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer defined pension plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, PERS members contributed 9.0% (2006) and 9.5 % (2007) of their gross salaries. The Township contributed an amount equal to 13.7 % (2006) and 13.85% (2007) of the participants gross salaries. The Township has paid all contributions required through December 31, 2007.

7. RISK MANAGEMENT

The Township has commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public officials' liability; and
- Vehicles

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KNOX & KNOX

Accountants and Consultants

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

Troy Township
Ashland County
901 US 224
Nova, Ohio 44859

To the Board of Trustees:

We have audited the financial statements of Troy Township, Ashland County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 15, 2008 wherein we noted that the Township prepared its financial statements using accounting practices prescribed by the Auditor of State rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township, in a separate letter dated May 15, 2008.

Troy Township
Ashland County
Report of Independent Accountants on Compliance and Internal
Control Required by *Government Auditing Standards*.
Page 2

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

KNOX & KNOX

Orrville, Ohio
May 15, 2008



Mary Taylor, CPA
Auditor of State

TROY TOWNSHIP

ASHLAND 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 3, 2008