



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**TROY TOWNSHIP
ATHENS COUNTY**

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OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

Troy Township
Athens County
4175 Frost Road
Coolville, Ohio 45723

To the Board of Trustees:

We have audited the accompanying financial statements of Troy Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Troy Township, Athens County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

June 20, 2002

**TROY TOWNSHIP
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$28,806	\$63,939	\$92,745
Intergovernmental	75,465	80,028	155,493
Earnings on Investments	1,063	674	1,737
Other Revenue	6,000	2,825	8,825
	<u>111,334</u>	<u>147,466</u>	<u>258,800</u>
Cash Disbursements:			
Current:			
General Government	110,631	2,344	112,975
Public Safety		24,108	24,108
Public Works	3,396	105,548	108,944
Health		13,234	13,234
Redemption of Principal		11,722	11,722
Interest and Fiscal Charges		1,448	1,448
	<u>114,027</u>	<u>158,404</u>	<u>272,431</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(2,693)</u>	<u>(10,938)</u>	<u>(13,631)</u>
Other Financing Receipts and (Disbursements):			
Sale of Fixed Assets	7,111		7,111
	<u>7,111</u>	<u>0</u>	<u>7,111</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,418	(10,938)	(6,520)
Fund Cash Balances, January 1	<u>7,729</u>	<u>56,499</u>	<u>64,228</u>
Fund Cash Balances, December 31	<u>\$12,147</u>	<u>\$45,561</u>	<u>\$57,708</u>

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

**TROY TOWNSHIP
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$28,116	\$62,512	\$90,628
Intergovernmental	24,637	80,046	104,683
Earnings on Investments	925	1,479	2,404
Other Revenue	2,945	2,501	5,446
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	56,623	146,538	203,161
Cash Disbursements:			
Current:			
General Government	64,862	1,751	66,613
Public Safety		20,000	20,000
Public Works	9,946	114,593	124,539
Health		8,688	8,688
Redemption of Principal		11,504	11,504
Interest and Fiscal Charges		1,666	1,666
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	74,808	158,202	233,010
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(18,185)	(11,664)	(29,849)
Other Financing Receipts and (Disbursements):			
Sale of Fixed Assets	1,260		1,260
	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	1,260	0	1,260
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(16,925)	(11,664)	(28,589)
Fund Cash Balances, January 1	24,654	68,163	92,817
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$7,729	\$56,499	\$64,228

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

**TROY TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Troy Township, Athens County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance (public works), cemetery maintenance (health) and fire protection (public safety).

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

B. Basis of Accounting

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

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

C. Cash

Cash consists of a demand deposit account.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

**TROY TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Fund – This fund receives property tax money to provide fire protection to the Township.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**TROY TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$57,708	\$64,228

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 was as follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,587	\$118,445	\$43,858
Special Revenue	140,572	147,466	6,894
Total	\$215,159	\$265,911	\$50,752

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$55,820	\$114,027	(\$58,207)
Special Revenue	190,981	158,404	32,577
Total	\$246,801	\$272,431	(\$25,630)

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,000	\$57,883	\$15,883
Special Revenue	139,625	146,538	6,913
Total	\$181,625	\$204,421	\$22,796

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$72,690	\$74,808	(\$2,118)
Special Revenue	201,753	158,202	43,551
Total	\$274,443	\$233,010	\$41,433

Budgetary expenditures exceeded appropriation authority in the General Fund by \$2,118 for the year ended 2000 and budgetary expenditures exceeded appropriation authority in the General Fund and Fire District Fund by \$58,207 and \$3,117, respectively, for the year ended 2001.

**TROY TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$24,586	4%
Total	\$24,586	

The general obligation note was issued to finance the purchase of a truck to be used for Township road maintenance. The note is secured by the equipment purchased and is backed by the full faith and credit of the Township.

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

	General Obligation Note
Year ending December 31:	
2002	\$13,171
2003	13,171
2004	13,171
Total	\$39,513

**TROY TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

**TROY TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2001 and 2000 (latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Troy Township
Athens County
4175 Frost Road
Coolville, Ohio 45723

To the Board of Trustees:

We have audited the accompanying financial statements of Troy Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item 2001-40705-001 and 2001-40705-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 20, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Troy Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2001-40705-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 20, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 20, 2002

**TROY TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-40705-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall expend any money unless it has been properly appropriated.

For the year ended December 31, 2001, actual disbursements exceeded appropriations as follows:

<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$55,820	\$114,027	\$(58,207)
Fire District	21,816	24,933	(3,117)

For the year ended December 31, 2000, actual disbursements exceeded appropriations as follows:

<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$72,690	\$74,808	\$(2,118)

This could result in spending more money than is actually available.

The Treasurer should deny payment requests exceeding appropriations. The Treasurer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2001-40705-002

Reportable Condition

There were numerous posting errors of Township's receipts. Amounts were posted in the wrong funds and/or line items. Amounts were also posted in the net amount, thereby understating receipts and disbursements on the financial statements. This resulted in understatements on the Township's financial statements. Appropriate adjustments and/or reclassifications have been made to the accompanying audited financial statements.

We recommend the Township Clerk utilize the UAN chart of accounts to determine proper posting of receipts to the UAN system.

**TROY TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-40705-003

Finding for Adjustment

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used for the purposes for which such fund was established.

During 2000, we noted that road paving was expended from the Cemetery Fund in the amount of \$16,091.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 5705.10, a Finding for Adjustment for monies incorrectly expended from the Cemetery Fund is hereby issued in favor of the Cemetery Fund in the amount of \$16,091 and against the General Fund in the amount of \$6,091 and against the Road and Bridge Fund, in the amount of \$10,000 as of December 31, 2001.

Although these adjustments are reflected in the accompanying financial statements, as of June 20, 2002, the Township had not recorded the adjustments in their books/records.

**TROY TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30753-001	Expenditures exceeded appropriations in several funds during 1999 and 1998, contrary to Ohio Rev. Code Section 5705.41(B).	No	Not Corrected. Repeated in finding number 2001-30753-001.
1999-30753-002	There were numerous posting errors of Township receipts	No	Not Corrected. Repeated in finding number 2001-30753-002.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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TROY TOWNSHIP

ATHENS 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 23, 2002**