
**TROY TOWNSHIP
MORROW COUNTY**

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2004 & 2003

Whited Seigneur Sams & Rabe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

*** WSSR ***

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**Auditor of State
Betty Montgomery**

Board of Trustees
Troy Township, Morrow County
7833 County Rd. 37, Route 14
Lexington, OH 44904

We have reviewed the *Report of Independent Auditor* of Troy Township, Morrow County, prepared by Whited Seigneur Sams & Rahe, LLP, for the audit period January 1, 2003 through December 31, 2004. 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 Auditor* 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 Auditor* 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, Morrow County is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 6, 2005

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**TROY TOWNSHIP
MORROW COUNTY, OHIO**

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Whited Seigneur Sams & Rahe LLP

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May 5, 2005

Board of Trustees
Troy Township
Morrow County
7833 County Road 37
Lexington, OH 44904

Report of Independent Auditor

We have audited the accompanying financial statements of Troy Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2004 and 2003. 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 audits.

We conducted our audits 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 audits 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 audits provide 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above 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, 2004 and 2003, 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 combined fund cash balances of Troy Township, Morrow County as of December 31, 2004 and 2003 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 a report dated May 5, 2005 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. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of audits performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**TROY TOWNSHIP
MORROW COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only Total</u>
CASH RECEIPTS			
Local Taxes	\$ 18,145	\$ 76,672	\$ 94,817
Intergovernmental Receipts	12,096	74,401	86,497
Special Assessments	0	1,037	1,037
Licenses, Permits and Fees	5,913	0	5,913
Earnings on Investments	1,545	102	1,647
Other Revenue	<u>18,053</u>	<u>2,695</u>	<u>20,748</u>
TOTAL CASH RECEIPTS	55,752	154,907	210,659
CASH DISBURSEMENTS			
General Government	32,809	0	32,809
Public Safety	0	31,015	31,015
Public Works	0	64,806	64,806
Capital Outlay	<u>1,855</u>	<u>12,600</u>	<u>14,455</u>
TOTAL CASH DISBURSEMENTS	<u>34,664</u>	<u>108,421</u>	<u>143,085</u>
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	21,088	46,486	67,574
OTHER FINANCING SOURCES/(USES)			
Proceeds of Notes	<u>0</u>	<u>12,600</u>	<u>12,600</u>
TOTAL OTHER FINANCING SOURCES/(USES)	<u>0</u>	<u>12,600</u>	<u>12,600</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	21,088	59,086	80,174
Fund Cash Balances, January 1, 2004	<u>6,740</u>	<u>158,703</u>	<u>165,443</u>
Fund Cash Balances, December 31, 2004	<u>\$ 27,828</u>	<u>\$ 217,789</u>	<u>\$ 245,617</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**TROY TOWNSHIP
MORROW COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only Total</u>
CASH RECEIPTS			
Local Taxes	\$ 17,179	\$ 67,896	\$ 85,075
Intergovernmental Receipts	12,000	65,257	77,257
Special Assessments	0	933	933
Licenses, Permits and Fees	1,250	0	1,250
Earnings on Investments	758	79	837
Other Revenue	<u>1,101</u>	<u>3,264</u>	<u>4,365</u>
TOTAL CASH RECEIPTS	32,288	137,429	169,717
CASH DISBURSEMENTS			
General Government	39,070	0	39,070
Public Safety	0	30,766	30,766
Public Works	0	54,696	54,696
Capital Outlay	<u>1,407</u>	<u>0</u>	<u>1,407</u>
TOTAL CASH DISBURSEMENTS	<u>40,477</u>	<u>85,462</u>	<u>125,939</u>
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	(8,189)	51,967	43,778
OTHER FINANCING SOURCES/(USES)			
Transfers - In	10,000	0	10,000
Transfers - Out	0	(10,000)	(10,000)
Other Financing Sources	<u>21</u>	<u>0</u>	<u>21</u>
TOTAL OTHER FINANCING SOURCES	<u>10,021</u>	<u>(10,000)</u>	<u>21</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	1,832	41,967	43,799
Fund Cash Balances, January 1, 2003	<u>4,908</u>	<u>116,736</u>	<u>121,644</u>
Fund Cash Balances, December 31, 2003	<u>\$ 6,740</u>	<u>\$ 158,703</u>	<u>\$ 165,443</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**TROY TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

Troy Township, Morrow County, Ohio (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 and fire protection. The Township contracts with Troy Township of Richland County to provide fire protection.

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

- **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.

- **Cash Investments**

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

- **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 to account for all financial resources except those required to be accounted for in another fund.
- **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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**TROY TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Fund Accounting (Continued)**

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

Fire District Fund - This fund receives property tax money to pay for a fire contract with the Troy Township of Richland County.

- **Budgetary Process**

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

- **Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object 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.
- **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 re-appropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

- **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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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 was as follows:

	2004	2003
Demand Deposits	\$ 103,617	\$ 61,443
Certificates of Deposit	142,000	104,000
Total Deposits	\$ 245,617	\$ 165,443

Deposits

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**TROY TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 were as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 63,994	\$ 55,752	\$ (8,242)
Special Revenue	<u>157,412</u>	<u>167,507</u>	<u>10,095</u>
TOTAL	<u>\$ 221,406</u>	<u>\$ 223,259</u>	<u>\$ 1,853</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 70,734	\$ 34,664	\$ 36,070
Special Revenue	<u>316,114</u>	<u>108,421</u>	<u>207,693</u>
TOTAL	<u>\$ 386,848</u>	<u>\$ 143,085</u>	<u>\$ 243,763</u>

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 63,630	\$ 42,309	\$ (21,321)
Special Revenue	<u>140,080</u>	<u>137,429</u>	<u>(2,651)</u>
TOTAL	<u>\$ 203,710</u>	<u>\$ 179,738</u>	<u>\$ (23,972)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 68,538	\$ 40,477	\$ 28,061
Special Revenue	<u>256,815</u>	<u>95,462</u>	<u>161,353</u>
TOTAL	<u>\$ 325,353</u>	<u>\$ 135,939</u>	<u>\$ 189,414</u>

4. 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, the first half is due December 31. The second half payment is due the following June 20.

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.

**TROY TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

4. PROPERTY TAX (Continued)

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, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Purchase Note	\$ 12,600	4.60%

The note was issued to help purchase a dump truck and plow.

Amortization of the above debt, including interest of \$1,790 is scheduled as follows:

<u>Year Ending December 31</u>	<u>Equipment Purchase Note</u>
2005	\$ 2,878
2006	2,878
2007	2,878
2008	2,878
2009	<u>2,878</u>
Total	<u>\$ 14,390</u>

6. RETIREMENT SYSTEMS

The Township 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 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. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- General Liability and Casualty
- Public Official's Liability
- Vehicle
- Property

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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May 5, 2005

Board of Trustees
Troy Township
Morrow County
7833 County Road 37
Lexington, OH 44904

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

We have audited the accompanying financial statements of Troy Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated May 5, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits 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.

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 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 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 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 May 5, 2005.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 5, 2005.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**TROY TOWNSHIP
MORROW COUNTY, OHIO
SCHEDULE OF FINDINGS**

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

Finding Number 2004-001

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 provide that no transfers of funds can be made from one fund of the Township to any other fund, unless the transfer is in compliance with one of the exceptions provided under these sections of Ohio law.

In 2002, the Township board of trustees authorized a transfer of \$20,000 from the General Fund to the Gas Tax Fund, which meets one of the exceptions under the above-named sections of Ohio law. However, in 2003, the Township board of trustees felt they had transferred too much in the prior year and authorized a transfer of \$10,000 back to the General Fund from the Gas Tax Fund via a fund balance adjustment. We reclassified the adjustment as a transfer per the 2003 financial statements.

We believe the Township trustees should have made use of interfund advances instead of transfers. A transfer is intended to reallocate monies permanently from one fund to another and may be made only as authorized in Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16. Advances, on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment. Any transfer or advance must be clearly labeled as such, and must be distinguished from each other.

**TROY TOWNSHIP
MORROW COUNTY, OHIO
STATUS OF PRIOR AUDIT FINDINGS**

There were no prior audit findings.



**Auditor of State
Betty Montgomery**

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**TROY TOWNSHIP
MORROW 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
JUNE 16, 2005**