

Goshen Township

Audited Financial Statements

December 31, 2004 and 2005



**Auditor of State
Betty Montgomery**

Board of Trustees
Goshen Township
P.O. Box 41
New Philadelphia, Ohio 44663

We have reviewed the *Independent Auditor's Report* of Goshen Township, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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. Goshen Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 19, 2006

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**GOSHEN TOWNSHIP
TUSCARAWAS COUNTY**

DECEMBER 31, 2004 AND 2005

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

July 21, 2006

Board of Trustees
Goshen Township
P.O. Box 41
New Philadelphia, OH 44663

Independent Auditor's Report

We have audited the accompanying financial statements of the Goshen Township (the "Township") as of and for the years ended December 31, 2004 and 2005, as listed in the table of contents. 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 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.

Revisions to generally accepted accounting principles would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2004 and 2005. Instead of the funds the accompanying financial statements present for 2004 and 2005, the revisions require presenting the entity wide statements and also to present its larger (i.e. major) funds separately for 2004 and 2005. While the Township does not follow generally accepted accounting principles, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new generally accepted accounting principles 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 generally accepted accounting principles to measure 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, 2004 and 2005 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 2005, 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 and reserves for encumbrances of the Goshen Township, Tuscarawas County, as of December 31, 2004 and 2005 and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2004 and 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2006 on our consideration of 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audits.

Rea & Associates, Inc.

GOSHEN TOWNSHIP
TUSCARAWAS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:				
Property and other Local Taxes	\$ 74,119	\$ 174,077	\$ 0	\$ 248,196
Intergovernmental Revenue	434,182	138,142	34,009	606,332
Fines, Licenses and Permits	50	0	0	50
Interest	12,241	614	0	12,855
Miscellaneous	67	0	0	67
Total Cash Receipts	520,659	312,833	34,009	867,500
CASH DISBURSEMENTS:				
Current:				
General Government	140,361	0	0	140,361
Public Safety	5,088	64,132	0	69,220
Public Works	30,103	158,067	0	188,170
Health	2,648	0	0	2,648
Capital Outlay	30,744	0	0	30,744
Total Cash Disbursements	208,945	222,199	0	431,144
Total Cash Receipts Over Cash Disbursements	311,714	90,634	34,009	436,357
FUND CASH BALANCES, January 1, 2005	149,109	165,600	0	314,709
FUND CASH BALANCES, December 31, 2005	\$ 460,823	\$ 256,234	\$ 34,009	\$ 751,065

The accompanying notes are an integral part of these financial statements.

GOSHEN TOWNSHIP
TUSCARAWAS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:				
Property and Other Local Taxes	\$ 68,473	\$ 161,281	\$ 0	\$ 229,754
Intergovernmental Revenue	108,585	179,347	50,000	337,932
Fines, Licenses and Permits	10	0	0	10
Interest	2,655	188	0	2,843
Miscellaneous	96	0	0	96
Total Cash Receipts	179,819	340,817	0	520,636
CASH DISBURSEMENTS:				
Current:				
General Government	120,077	0	0	120,077
Public Safety	5,619	70,446	0	76,066
Public Works	14,921	261,700	0	276,621
Health	2,609	0	0	2,609
Capital Outlay	1,000	14,060	50,000	65,060
Total Cash Disbursements	144,226	346,207	0	490,432
Total Cash Receipts Over (Under) Cash Disbursements	35,594	(5,390)	0	30,204
FUND CASH BALANCES, January 1, 2004	113,515	170,990	0	284,505
FUND CASH BALANCES, December 31, 2004	\$ 149,109	\$ 165,600	\$ 0	\$ 314,709

The accompanying notes are an integral part of these financial statements.

**GOSHEN TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

Goshen Township, Tuscarawas County (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 provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the City of New Philadelphia to provide fire services and Smith Ambulance Service, Inc. to provide ambulance services.

The Township's management believes these financial statements present all activities for which the Township is financial 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 and Investments

Investments are included in fund balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively. Certificates of deposit are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classified 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 trust or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant special revenue funds:

**GOSHEN TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2005 AND 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge Fund – This fund receives property tax money to construct, maintain and repair Township roads and bridges.

Gasoline Tax Fund – This fund receives gasoline tax money to construct, maintain and repair Township roads.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects.

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 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. Unencumbered 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 required the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**GOSHEN TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2005 AND 2004**

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$ 751,066	\$ 314,709

Deposits

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township.

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 is as follows:

Fund Type	Receipts	Receipts	Variance
General	\$ 397,510	\$ 520,659	\$ 123,149
Special Revenue	274,961	312,833	37,872
Capital Projects	0	34,009	34,009
Total	\$ 672,471	\$ 867,501	\$ 195,030

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 546,619	\$ 208,945	\$ 337,674
Special Revenue	429,533	222,199	207,334
Capital Projects	0	0	0
Total	\$ 976,152	\$ 431,144	\$ 545,008

**GOSHEN TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2005 AND 2004**

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 is as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 168,522	\$ 179,819	\$ 11,297
Special Revenue	276,770	340,817	64,047
Capital Projects	50,000	50,000	0
 Total	 <u>\$ 495,292</u>	 <u>\$ 570,636</u>	 <u>\$ 75,344</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 285,254	\$ 144,226	\$ 141,028
Special Revenue	433,543	346,207	87,336
Capital Projects	50,000	50,000	0
 Total	 <u>\$ 768,797</u>	 <u>\$ 540,433</u>	 <u>\$ 228,364</u>

NOTE 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 financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual 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 each April 5.

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

**GOSHEN TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2005 AND 2004**

NOTE 5: RETIREMENT SYSTEM

The Township's 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 2005 and 2004, PERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries for 2005 and 2004. The Township has paid all contributions required through December 31, 2005.

NOTE 6: 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 insurance 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 Insurance

OTARMA retains casualty risks up to \$250,000 per claim. 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, from the General Reinsurance Corporation.

Property Insurance

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.

**GOSHEN TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2005 AND 2004**

NOTE 6: RISK MANAGEMENT (Continued)

Financial Position

OTARMA's financial statements conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31 (latest information available):

	<u>2004</u>
<u>Casualty Coverage</u>	
Assets	\$ 30,687,203
Liabilities	<u>(13,640,962)</u>
Retained Earnings	<u>\$ 17,046,241</u>
<u>Property Coverage</u>	
Assets	\$ 7,799,073
Liabilities	<u>(753,906)</u>
Retained Earnings	<u>\$ 7,045,167</u>

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

July 21, 2006

Board of Trustees
Goshen Township
P.O. Box 41
New Philadelphia, OH 44663

Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of the Goshen Township (the Township) as of and for the years ended December 31, 2004 and 2005, and have issued our report thereon dated July 21, 2006, wherein we noted the Township follows accounting practices the Auditor of State prescribes 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.

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. 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 caused by error or fraud 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 we have reported to management of the Township in a separate letter dated July 21, 2006.

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 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance that we have reported to management of the Township in a separate letter dated July 21, 2006.

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

Rea & Associates, Inc.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

GOSHEN TOWNSHIP

TUSCARAWAS 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
OCTOBER 3, 2006**