



**Auditor of State  
Betty Montgomery**



**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Lostcreek Township  
Miami County  
101B Center Street  
Casstown, Ohio 45312

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lostcreek Township, Miami County, (the Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2C, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lostcreek Township, Miami County, as of December 31, 2005 and 2004, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Road and Bridge, Fire Protection Levy, and Fire Facility Levy funds for 2005, and the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Fire Protection Levy, and Fire Facility Levy funds for 2004, thereof for the years then ended in conformity with the basis of accounting Note 2C describes.

For the years ended December 31, 2005 and 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

August 8, 2006

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of the Lostcreek Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$76,101, or 23.8 percent, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General Fund and Gasoline Fund, which realized lower disbursements in 2005, due to monitoring expenses and lower road maintenance for the Gasoline Fund.
- The Township's general receipts are primarily property taxes. These receipts represent 29.6 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed by the addition of an ambulance levy in 2005.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Reporting the Township as a Whole**

Lostcreek Township has three elected trustees, one elected fiscal officer, one individual that performs the duties of zoning inspector and cemetery maintenance on a part-time basis. The trustees maintain the roads in the township and the fiscal officer maintains all financial records and minutes for the township.

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

In the statement of net assets and the statement of activities, the Township reports its governmental activities. Most of the Township's basic services are reported here, including fire, streets, and emergency services. Grants and entitlements and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are reported as governmental funds.

The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Fund, Road and Bridge, Fire Protection, and Fire Facility. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**The Township as a Whole**

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

**(Table 1)**

**Net Assets**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$394,740	\$318,639
Total Assets	394,740	318,639
<b>Net Assets</b>		
Restricted for:		
Other Purposes	267,352	214,591
Unrestricted	127,388	104,048
Total Net Assets	\$394,740	\$318,639

As mentioned previously, net assets of governmental activities increased \$76,101, or 23.8 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- Unanticipated estate tax receipts. Over the last several years it is hard to predict the amount of estate taxes the township will receive.
- Health benefits were lower than previous years since some elected officials changed from family to single plans on the health insurance.
- The township road program was lower compared to previous years since the township elected not to pave a section of township roads in 2005 as in the past and less maintenance on the roads.

Table 2 reflects the changes in net assets in 2005.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

(Table 2)  
Changes in Net Assets

	<b>Governmental Activities 2005</b>	<b>Governmental Activities 2004</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$7,666	\$6,174
Operating Grants and Contributions	80,506	73,577
Total Program Receipts	<u>88,172</u>	<u>79,751</u>
<b>General Receipts:</b>		
Property and Other Local Taxes	84,369	71,929
Other Taxes		3
Grants and Entitlements Not Restricted to Specific Programs	102,514	74,495
Interest	9,568	4,031
Miscellaneous	131	213
Total General Receipts	<u>196,582</u>	<u>150,671</u>
Total Receipts	<u>284,754</u>	<u>230,422</u>
<b>Disbursements:</b>		
General Government	87,235	93,225
Public Safety	61,427	60,642
Public Works	58,406	100,274
Health	1,585	3,065
Total Disbursements	<u>208,653</u>	<u>257,206</u>
Increase (Decrease) in Net Assets	<u>76,101</u>	<u>(26,784)</u>
Net Assets, January 1	<u>318,639</u>	<u>345,423</u>
Net Assets, December 31	<u><u>\$394,740</u></u>	<u><u>\$318,639</u></u>

Program receipts represent only 31 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, zoning permits, and rent for township building use.

General receipts represent 69 percent of the Township's total receipts, and of this amount, over 42.9 percent are local taxes. State grants are the other major source of general receipts and are 52.1 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board of Trustees, and Fiscal Officer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to General Fund unrestricted receipts.

Public Safety are the costs of fire protection and ambulance services; Health Services is the maintenance of the cemeteries; Public Works is the cost of maintaining the roads.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety and public works, which account for 29.4 and 27.9 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 41.8 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2005</b>	<b>Net Cost of Services 2005</b>
General Government	\$87,235	\$79,559
Public Safety	61,427	61,427
Public Works	58,406	(22,090)
Health	1,585	1,585
Total Expenses	<u>\$208,653</u>	<u>\$120,481</u>

The dependence upon property tax receipts is apparent as over 57 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$284,623 and disbursements of \$208,653. The greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the Gasoline Tax Fund increased \$30,481 as the result of decreases in road paving costs.

General Fund receipts were greater than disbursements by \$23,340 indicating that the General Fund had a positive cash flow. Some of these reductions already implemented for 2005 will be continued in 2006. These changes will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property taxes remains stagnant.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were significantly more than original budgeted receipts due to unexpected increase in intergovernmental receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$104,288 while actual disbursements were \$92,387. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of 23,340 for 2005.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2005, the Township's had no outstanding debt.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Township. All officials have been asked to hold their spending levels to the 2005 levels.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Walter Pemberton, Fiscal Officer, Lostcreek Township, 101B Center Street, Casstown, OH 45312.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$394,740
Total Assets	<u>394,740</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	267,352
Unrestricted	127,388
Total Net Assets	<u>\$394,740</u>

*See accompanying notes to the basic financial statements.*



LOSTCREEK TOWNSHIP  
MIAMI COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire Protection Levy</u>	<u>Fire Facility Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$127,388	\$152,646	\$75,879	_____	_____	\$38,827	\$394,740
Total Assets	<u>127,388</u>	<u>152,646</u>	<u>75,879</u>	<u>_____</u>	<u>_____</u>	<u>38,827</u>	<u>394,740</u>
<b>Fund Balances</b>							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	127,388						127,388
Special Revenue Funds		152,646	75,879			38,827	267,352
Total Fund Balances	<u>\$127,388</u>	<u>\$152,646</u>	<u>\$75,879</u>	<u>\$0</u>	<u>\$0</u>	<u>\$38,827</u>	<u>\$394,740</u>

See accompanying notes to the basic financial statements.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire Protection Levy</u>	<u>Fire Facility Levy</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Receipts</b>							
Property and Other Local Taxes	\$11,377		\$16,711	\$22,202	\$22,144	\$11,935	\$84,369
Licenses, Permits and Fees	1,834						1,834
Intergovernmental	91,577	\$75,557	2,308	3,073	3,066	7,439	183,020
Earnings on Investments	4,976	3,721				871	9,568
Miscellaneous	5,832						5,832
<b>Total Receipts</b>	<b>115,596</b>	<b>79,278</b>	<b>19,019</b>	<b>25,275</b>	<b>25,210</b>	<b>20,245</b>	<b>284,623</b>
<b>Disbursements</b>							
Current:							
General Government	87,021		3	4	4	203	87,235
Public Safety				25,271	25,206	10,950	61,427
Public Works	3,781	48,797	3,291			2,537	58,406
Health	1,585						1,585
<b>Total Disbursements</b>	<b>92,387</b>	<b>48,797</b>	<b>3,294</b>	<b>25,275</b>	<b>25,210</b>	<b>13,690</b>	<b>208,653</b>
Excess of Receipts Over (Under) Disbursements	23,209	30,481	15,725			6,555	75,970
Other Financing Sources (Uses)							
Other Financing Sources	131						131
<b>Total Other Financing Sources (Uses)</b>	<b>131</b>						<b>131</b>
Net Change in Fund Balances	23,340	30,481	15,725			6,555	76,101
Fund Balances Beginning of Year	104,048	122,165	60,154			32,272	318,639
Fund Balances End of Year	<u>\$127,388</u>	<u>\$152,646</u>	<u>\$75,879</u>	<u>\$0</u>	<u>\$0</u>	<u>\$38,827</u>	<u>\$394,740</u>

See accompanying notes to the basic financial statements.



**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$11,209	\$11,209	\$11,377	\$168
Licenses, Permits and Fees	1,200	1,200	1,834	634
Intergovernmental	62,435	94,158	91,577	(2,581)
Earnings on Investments	2,000	2,000	4,976	2,976
Miscellaneous	5,150	5,150	5,832	682
Total receipts	<u>81,994</u>	<u>113,717</u>	<u>115,596</u>	<u>1,879</u>
<b>Disbursements</b>				
Current:				
General Government	94,887	95,288	87,021	8,267
Public Works	5,000	5,000	3,781	1,219
Health	4,000	4,000	1,585	2,415
Total Disbursements	<u>103,887</u>	<u>104,288</u>	<u>92,387</u>	<u>11,901</u>
Excess of Receipts Over (Under) Disbursements	<u>(21,893)</u>	<u>9,429</u>	<u>23,209</u>	<u>(10,022)</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	<u>                    </u>	<u>                    </u>	<u>131</u>	<u>131</u>
Total Other Financing Sources (Uses)	<u>                    </u>	<u>                    </u>	<u>131</u>	<u>131</u>
Net Change in Fund Balance	(21,893)	9,429	23,340	(9,891)
Fund Balance Beginning of Year	<u>104,048</u>	<u>104,048</u>	<u>104,048</u>	<u>                    </u>
Fund Balance End of Year	<u><u>82,155</u></u>	<u><u>113,477</u></u>	<u><u>127,388</u></u>	<u><u>(9,891)</u></u>

*See accompanying notes to the basic financial statements.*

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Receipts</b>				
Intergovernmental	\$67,350	\$67,350	\$75,557	\$8,207
Earnings on Investments	2,400	2,400	3,721	1,321
Total receipts	<u>69,750</u>	<u>69,750</u>	<u>79,278</u>	<u>9,528</u>
<b>Disbursements</b>				
Current:				
Public Works	79,500	79,500	48,797	30,703
Total Disbursements	<u>79,500</u>	<u>79,500</u>	<u>48,797</u>	<u>30,703</u>
Excess of Receipts Over (Under) Disbursements	<u>(9,750)</u>	<u>(9,750)</u>	<u>30,481</u>	<u>40,231</u>
Fund Balance Beginning of Year	<u>122,165</u>	<u>122,165</u>	<u>122,165</u>	
Fund Balance End of Year	<u><u>\$112,415</u></u>	<u><u>\$112,415</u></u>	<u><u>\$152,646</u></u>	<u><u>\$40,231</u></u>

*See accompanying notes to the basic financial statements.*

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$16,332	\$16,332	\$16,711	\$379
Intergovernmental	2,150	2,150	2,308	158
Total receipts	<u>18,482</u>	<u>18,482</u>	<u>19,019</u>	<u>537</u>
<b>Disbursements</b>				
Current:				
General Government	5	5	3	2
Public Works	12,200	12,200	3,291	8,909
Total Disbursements	<u>12,205</u>	<u>12,205</u>	<u>3,294</u>	<u>8,911</u>
Excess of Receipts Over (Under) Disbursements	<u>6,277</u>	<u>6,277</u>	<u>15,725</u>	<u>9,448</u>
Fund Balance Beginning of Year	<u>60,154</u>	<u>60,154</u>	<u>60,154</u>	
Fund Balance End of Year	<u><u>\$66,431</u></u>	<u><u>\$66,431</u></u>	<u><u>\$75,879</u></u>	<u><u>\$9,448</u></u>

*See accompanying notes to the basic financial statements.*

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
FIRE PROTECTION LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$21,524	\$22,202	\$22,202	
Intergovernmental	3,145	3,073	3,073	
Total receipts	<u>24,669</u>	<u>25,275</u>	<u>25,275</u>	
<b>Disbursements</b>				
Current:				
General Government	5	4	4	
Public Safety	24,664	25,271	25,271	
Total Disbursements	<u>24,669</u>	<u>25,275</u>	<u>25,275</u>	
Excess of Receipts Over (Under) Disbursements				
Fund Balance Beginning of Year				
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*See accompanying notes to the basic financial statements.*

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
FIRE FACILITY LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$21,518	\$22,144	\$22,144	
Intergovernmental	3,086	3,066	3,066	
Total receipts	<u>24,604</u>	<u>25,210</u>	<u>25,210</u>	
<b>Disbursements</b>				
Current:				
General Government	5	4	4	
Public Safety	24,599	25,206	25,206	
Total Disbursements	<u>24,604</u>	<u>25,210</u>	<u>25,210</u>	
Excess of Receipts Over (Under) Disbursements				
Fund Balance Beginning of Year				
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*See accompanying notes to the basic financial statements.*

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**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. REPORTING ENTITY**

The Lostcreek Township, Miami County, Ohio (the Township), is a body politic and corporate established in Ohio, Miami County to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Clerk.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Casstown Community Volunteer Fire Company, Fletcher Fire Department, and Christiansburg Fire Company for fire protection. Police protection is provided by the Miami County Sheriff.

**B. Component Units**

The township does not have any Component Units.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statement, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

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

**2. Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**B. Fund Accounting**

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

**1. Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire Protection Levy Fund, and Fire Facility Levy Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants, taxes, and other resources whose use is restricted to a particular purpose.



**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

The Township's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2005, the Township had all funds in a regular checking account and a Public Funds account with Fifth Third Bank.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$4,976 which includes interest assigned from other Township funds.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**G. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, road & bridge, gasoline tax, fire facility, and fire protection is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**4. DEPOSITS AND INVESTMENTS**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township may not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$305,300 of the Township's bank balance of \$405,300 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$19,633,750
Agriculture	\$5,641,250
Commercial/Industrial/Mineral	\$47,790
Public Utility Property	
Personal	\$1,150,900
Tangible Personal Property	<u>\$64,100</u>
Total Assessed Value	<u><u>\$26,537,790</u></u>

**6. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government 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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**A. Casualty Coverage**

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**B. Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**C. Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$7,564.

The Township is provides hospitalization for all elected officials. If any elected official elects not to participate in the township plan, the elected official is reimbursed for out-of-pocket expenses for hospitalization insurance.

**7. DEFINED BENEFIT PENSION PLAN**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$5,717, \$5,628, and \$5,523 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

This discussion and analysis of Lostcreek Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2004, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2004 are as follows:

- Net assets of governmental activities decreased \$26,784, or 7.7 percent, a small change from the prior year. The funds most affected by the decrease in cash and cash equivalents was the General Fund and Gasoline Tax, which realized the greatest burden of increased costs in 2004; however, cost increases affected most funds.
- The Township's general receipts are primarily property taxes and local government distributions. These receipts represent respectively 63.5 percent of the total cash received for governmental activities during the year. Property and local government distribution for 2004 changed very little compared to 2003 as development within the Township has slowed.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

In the statement of net assets and the statement of activities, the Township only reports governmental activities. Most of the Township's basic services are reported here, including fire, streets and emergency services. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are reported as governmental funds.

**Governmental Funds** – The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The Township's major governmental funds are the General Fund, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Fire Protection Levy, and Fire Facility Levy. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2004 compared to 2003 on a modified cash basis:

	<b>(Table 1)</b>	
	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Cash and Cash		
Equivalents	\$318,639	\$345,423
Total Assets	318,639	345,423
<b>Net Assets</b>		
Restricted for:		
Other Purposes	214,591	216,948
Unrestricted	104,048	128,475
Total Net Assets	\$318,639	345,423

As mentioned previously, net assets of governmental activities decreased \$ \$26,784, or 7.7 percent during 2004. The primary reason contributing to the decrease in cash balances is as follows:

- The Township had road maintenance projects that caused the expenditures in the Gasoline Fund to exceed the revenue by \$15,546.

Table 2 reflects the changes in net assets in 2004. Since the Township did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**(Table 2)  
Changes in Net Assets**

	<b>Governmental Activities 2004</b>
<b>Receipts:</b>	
<b>Program Receipts:</b>	
Charges for Services and Sales	\$6,174
Operating Grants and Contributions	<u>73,577</u>
Total Program Receipts	<u>79,751</u>
<b>General Receipts:</b>	
Property Taxes	71,929
Other Taxes	3
Grants and Entitlements Not Restricted to Specific Programs	74,495
Earnings on Investment	4,031
Miscellaneous	<u>213</u>
Total General Receipts	<u>150,671</u>
Total Receipts	<u>230,422</u>
<b>Disbursements:</b>	
General Government	93,225
Public Safety	60,642
Public Works	100,274
Health	<u>3,065</u>
Total Disbursements	<u>257,206</u>
Increase (Decrease) in Net Assets	<u>(26,784)</u>
Net Assets, January 1, 2004	<u>345,423</u>
Net Assets, December 31, 2004	<u><u>\$318,639</u></u>

Program receipts represent only 34.6 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, zoning permits, and rent for township building use.

General receipts represent 65.4 percent of the Township's total receipts, and of this amount, over 47.7 percent are local taxes. State grants are the other major source of general receipts and are 49.4 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board of Trustees, and Clerk, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to General Fund unrestricted receipts.

Public Safety are the costs of fire protection and ambulance services; Public Works is the maintenance of the township roads; Health Services is the maintenance of the cemeteries.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**Governmental Activities**

If you look at the Statement of Activities on page 36, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety, and public works which account for 23.6 and 38.9 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 36.2 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2004</b>	<b>Net Cost of Services 2004</b>
General Government	\$93,225	\$86,597
Public Safety	60,642	60,642
Public Works	100,274	27,151
Health	3,065	3,065
Total Expenses	\$257,206	\$177,455

The dependence upon property tax receipts is apparent as 69 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$230,422 and disbursements of \$257,206. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$24,427 as the result of increased costs for salaries and benefits and not achieving anticipated growth in property tax receipts.

General Fund receipts were less than disbursements by \$24,427 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the clerk and the trustees that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. These reductions will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property taxes remains stagnant.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the Township amended its General Fund budget a few times to reflect changing circumstances. Final budgeted receipts were equal to the original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$125,018 while actual disbursements were \$110,745. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$24,427 for 2004.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2004, the Township's had no outstanding debt.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a steady balance for 2005; therefore, the trustees implemented a strategy to maintain the balance similar to 2004. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Township. We have planned the same maintenance and have also kept the staffing levels in areas where we felt it would have the least impact on services. All areas of expense will be monitored during 2005 to ensure adequate funding levels are maintained to keep the level of service for all residents of Lostcreek Township.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Walter Pemberton, Clerk-Treasurer, Lostcreek Township, Miami County, 110B Center Street, Casstown, Ohio 45312.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2004**

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$318,639
Total Assets	<u>\$318,639</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	214,591
Unrestricted	104,048
Total Net Assets	<u>\$318,639</u>

*See accompanying notes to the basic financial statements.*

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Program Cash Receipts</b>			<b>Net (Disbursements) Receipts and Changes in Net Assets</b>
	<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental Activities</b>				
General Government	\$93,225	\$6,174	\$454	(\$86,597)
Public Safety	60,642			(60,642)
Public Works	100,274		73,123	(27,151)
Health	3,065			(3,065)
Total Governmental Activities	257,206	6,174	73,577	(177,455)
 <b>General Receipts</b>				
Property Taxes				71,929
Other Taxes				3
Grants and Entitlements not Restricted to Specific Programs				74,495
Earnings on Investments				4,031
Miscellaneous				213
Total General Receipts				150,671
Change in Net Assets				(26,784)
Net Assets Beginning of Year				345,423
Net Assets End of Year				\$318,639

*See accompanying notes to the basic financial statements.*



LOSTCREEK TOWNSHIP  
MIAMI COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004

	<u>General</u>	<u>Motor Vehicle License Tax</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire Protection Levy</u>	<u>Fire Facility Levy</u>	<u>Total Governmental Funds</u>
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$104,048	\$32,272	\$122,165	\$60,154			\$318,639
Total Assets	<u>104,048</u>	<u>32,272</u>	<u>122,165</u>	<u>60,154</u>			<u>318,639</u>
<b>Fund Balances</b>							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	104,048						104,048
Special Revenue Funds		32,272	122,165	60,154			214,591
Total Fund Balances	<u>\$104,048</u>	<u>\$32,272</u>	<u>\$122,165</u>	<u>\$60,154</u>			<u>\$318,639</u>

See accompanying notes to the basic financial statements.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>General</b>	<b>Motor Vehicle License Tax</b>	<b>Gasoline Tax</b>	<b>Road and Bridge</b>	<b>Fire Protection Levy</b>	<b>Fire Facility Levy</b>	<b>Total</b>
<b>Receipts</b>							
Property and Other Local Taxes	\$11,343			\$16,696	\$21,975	\$21,918	\$71,932
Licenses, Permits and Fees	1,338						1,338
Intergovernmental	66,592	\$5,031	\$68,092	2,299	3,033	3,025	148,072
Earnings on Investments	1,996	347	1,688				4,031
Miscellaneous	4,836						4,836
<b>Total Receipts</b>	<b>86,105</b>	<b>5,378</b>	<b>69,780</b>	<b>18,995</b>	<b>25,008</b>	<b>24,943</b>	<b>230,209</b>
<b>Disbursements</b>							
Current:							
General Government	93,213			3	5	4	93,225
Public Safety	10,700				25,003	24,939	60,642
Public Works	3,767	1,504	85,326	9,677			100,274
Health	3,065						3,065
<b>Total Disbursements</b>	<b>110,745</b>	<b>1,504</b>	<b>85,326</b>	<b>9,680</b>	<b>25,008</b>	<b>24,943</b>	<b>257,206</b>
Excess of Receipts Over (Under) Disbursements	(24,640)	3,874	(15,546)	9,315			(26,997)
Other Financing Sources (Uses)							
Other Financing Sources	213						213
<b>Total Other Financing Sources (Uses)</b>	<b>213</b>						<b>213</b>
Net Change in Fund Balances	(24,427)	3,874	(15,546)	9,315			(26,784)
Fund Balances Beginning of Year	128,475	28,398	137,711	50,839			345,423
Fund Balances End of Year	<u>\$104,048</u>	<u>\$32,272</u>	<u>\$122,165</u>	<u>\$60,154</u>	<u>\$0</u>	<u>\$0</u>	<u>\$318,639</u>

See accompanying notes to the basic financial statements.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$11,445	\$11,445	\$11,343	(\$102)
Charges for Services	480	480		(480)
Licenses, Permits and Fees	1,200	1,200	1,338	138
Intergovernmental	65,163	65,163	66,592	1,429
Earnings on Investments	2,000	2,000	1,996	(4)
Miscellaneous	5,300	5,300	4,836	(464)
Total receipts	<u>85,588</u>	<u>85,588</u>	<u>86,105</u>	<u>517</u>
<b>Disbursements</b>				
Current:				
General Government	98,878	104,218	93,213	11,005
Public Safety	10,700	10,700	10,700	
Public Works	5,000	5,000	3,767	1,233
Health	2,500	4,100	3,065	1,035
Capital Outlay	1,000	1,000		1,000
Total Disbursements	<u>118,078</u>	<u>125,018</u>	<u>110,745</u>	<u>14,273</u>
Excess of Receipts Over (Under) Disbursements	<u>(32,490)</u>	<u>(39,430)</u>	<u>(24,640)</u>	<u>(13,756)</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	<u>200</u>	<u>200</u>	<u>213</u>	<u>13</u>
Total Other Financing Sources (Uses)	<u>200</u>	<u>200</u>	<u>213</u>	<u>13</u>
Net Change in Fund Balance	(32,290)	(39,230)	(24,427)	(13,743)
Fund Balance Beginning of Year	<u>128,475</u>	<u>128,475</u>	<u>128,475</u>	
Fund Balance End of Year	<u>\$96,185</u>	<u>\$89,245</u>	<u>\$104,048</u>	<u>(\$13,743)</u>

*See accompanying notes to the basic financial statements.*

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
MOTOR VEHICLE LICENSE TAX FUND  
OR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$5,710	\$4,793	\$5,031	\$238
Earnings on Investments	100	100	347	247
Total receipts	<u>5,810</u>	<u>4,893</u>	<u>5,378</u>	<u>485</u>
<b>Disbursements</b>				
Current:				
Public Works	5,500	5,500	1,504	3,996
Total Disbursements	<u>5,500</u>	<u>5,500</u>	<u>1,504</u>	<u>3,996</u>
Excess of Receipts Over (Under) Disbursements	<u>310</u>	<u>(607)</u>	<u>3,874</u>	<u>4,481</u>
Fund Balance Beginning of Year	<u>28,398</u>	<u>28,398</u>	<u>28,398</u>	
Fund Balance End of Year	<u><u>\$28,708</u></u>	<u><u>\$27,791</u></u>	<u><u>\$32,272</u></u>	<u><u>\$4,481</u></u>

*See accompanying notes to the basic financial statements.*

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts</b>				
Intergovernmental	\$54,006	\$59,657	\$68,092	\$8,435
Earnings on Investments	300	300	1,688	1,388
Total receipts	<u>54,306</u>	<u>59,957</u>	<u>69,780</u>	<u>9,823</u>
<b>Disbursements</b>				
Current:				
Public Works	64,500	89,500	85,326	4,174
Total Disbursements	<u>64,500</u>	<u>89,500</u>	<u>85,326</u>	<u>4,174</u>
Excess of Receipts Over (Under) Disbursements	<u>(10,194)</u>	<u>(29,543)</u>	<u>(15,546)</u>	<u>13,997</u>
Fund Balance Beginning of Year	<u>137,711</u>	<u>137,711</u>	<u>137,711</u>	
Fund Balance End of Year	<u><u>\$127,517</u></u>	<u><u>\$108,168</u></u>	<u><u>\$122,165</u></u>	<u><u>\$13,997</u></u>

*See accompanying notes to the basic financial statements.*

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$16,179	\$16,179	\$16,696	\$517
Intergovernmental	2,150	2,150	2,299	149
Total receipts	<u>18,329</u>	<u>18,329</u>	<u>18,995</u>	<u>666</u>
<b>Disbursements</b>				
Current:				
General Government	5	5	3	2
Public Works	12,200	12,200	9,677	2,523
Total Disbursements	<u>12,205</u>	<u>12,205</u>	<u>9,680</u>	<u>2,525</u>
Excess of Receipts Over (Under) Disbursements	<u>6,124</u>	<u>6,124</u>	<u>9,315</u>	<u>3,191</u>
Fund Balance Beginning of Year	<u>50,839</u>	<u>50,839</u>	<u>50,839</u>	
Fund Balance End of Year	<u><u>\$56,963</u></u>	<u><u>\$56,963</u></u>	<u><u>\$60,154</u></u>	<u><u>\$3,191</u></u>

*See accompanying notes to the basic financial statements.*

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
FIRE PROTECTION LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$21,296	\$21,975	\$21,975	
Intergovernmental	2,827	3,033	3,033	
Total receipts	<u>24,123</u>	<u>25,008</u>	<u>25,008</u>	
<b>Disbursements</b>				
Current:				
General Government	6	5	5	
Public Safety	24,492	25,003	25,003	
Total Disbursements	<u>24,498</u>	<u>25,008</u>	<u>25,008</u>	
Excess of Receipts Over (Under) Disbursements	<u>(375)</u>			
Fund Balance Beginning of Year				
Fund Balance End of Year	<u><u>(\$375)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

*See accompanying notes to the basic financial statements.*

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
FIRE FACILITY LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$21,240	\$21,918	\$21,918	
Intergovernmental	2,820	3,025	3,025	
Total receipts	<u>24,060</u>	<u>24,943</u>	<u>24,943</u>	
<b>Disbursements</b>				
Current:				
General Government	6	5	4	\$1
Public Safety	24,425	24,938	24,939	(1)
Total Disbursements	<u>24,431</u>	<u>24,943</u>	<u>24,943</u>	
Excess of Receipts Over (Under) Disbursements	<u>(371)</u>			
Fund Balance Beginning of Year				
Fund Balance End of Year	<u><u>(\$371)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

*See accompanying notes to the basic financial statements.*



**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**1. REPORTING ENTITY**

The Lostcreek Township, Miami County, Ohio (the Township), is a body politic and corporate established in Ohio, Miami County to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Clerk.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Casstown Community Volunteer Fire Company, Fletcher Fire Department, and Christiansburg Fire Company for fire protection. Police protection is provided by the Miami County Sheriff.

**B. Component Units**

The township does not have any Component Units.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statement, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**2. Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**B. Fund Accounting**

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

**1. Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire Protection Levy Fund, and Fire Facility Levy Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants, taxes, and other resources whose use is restricted to a particular purpose.

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

The Township's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2004, the Township had all funds in a regular checking account and a Public Funds account with Fifth Third Bank.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 was \$1,996 which includes interest assigned from other Township funds.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**G. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, road & bridge, gasoline tax, motor vehicle license tax, fire facility, and fire protection is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**5. DEPOSITS AND INVESTMENTS**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

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

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the Township's deposits was \$318,639 and the bank balance was \$325,767. Of the bank balance \$100,000 was covered by federal depository insurance and \$225,767 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential	\$18,515,870
Agriculture	6,729,630
Commercial/Industrial/Mineral	46,640
Public Utility Property	
Personal	1,187,680
Tangible Personal Property	131,610
Total Assessed Value	\$26,611,430

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**7. RISK MANAGEMENT**

The Government 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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**A. Casualty Coverage**

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**B. Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**C. Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$7,534.

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

The Township provides hospitalization for all elected officials. If any elected official elects not to participate in the township plan, the elected official is reimbursed for out-of-pocket expenses for hospitalization insurance.

**8. DEFINED BENEFIT PENSION PLAN**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.



**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**8. DEFINED BENEFIT PENSION PLAN**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$5,628, \$5,523, and \$5,218 respectively. The full amount has been contributed for 2004, 2003 and 2002.

**9. POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

**LOSTCREEK TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lostcreek Township  
Miami County  
101B Center Street  
Casstown, Ohio 45312

To the Board of Trustees:

We have audited the financial statements of the Lostcreek Township, Miami County, (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 8, 2006, wherein we noted the Township revised its financial statements for 2004, making them comparable to the requirements of governmental Auditing Standard Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 8, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated August 8, 2006, we reported other matters related to noncompliance we deemed immaterial.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Lostcreek Township  
Miami County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 8, 2006



**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

**LOSTCREEK TOWNSHIP**

**MIAMI 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  
SEPTEMBER 5, 2006**