

**PALMER TOWNSHIP  
WASHINGTON COUNTY  
Regular Audit  
December 31, 2005 and 2004**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Palmer Township  
Waterford, Ohio

We have reviewed the *Independent Accountants' Report* of Palmer Township, Washington County, prepared by Perry and Associates, Certified Public Accountants, A.C., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The 2004 financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your 2004 financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the 2004 financial statements using the regulatory format the Auditor of State permits.

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

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

BETTY MONTGOMERY  
Auditor of State

May 19, 2006

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**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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***Perry & Associates***  
Certified Public Accountants, A.C.

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT**

March 10, 2006

Palmer Township  
Washington County  
2505 Brownrigg Road  
Waterford, Ohio 45786

To the Board of Trustees:

We have audited the accompanying financial statements of Palmer Township, Washington County, Ohio, (the Township) as of and for the year ended December 31, 2004. In addition, we have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Palmer Township, Washington County, Ohio as of and for the year ended December 31, 2005. 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. We believe our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the Township has prepared the 2004 financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material. Also, as discussed in Note 1, the accompanying 2005 financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately beginning in 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its 2004 statements. Since the Township does not use GAAP to measure the 2004 financial statement amounts, the following paragraph does not imply the amounts reported for the year ended December 31, 2004 are materially misstated under the accounting basis the Auditor of State permits.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004 or their changes in financial position for the year then ended.

Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, the financial statements referred to above for the year ended December 31, 2005 present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township as of December 31, 2005, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Permissive Sales Tax Fund and FEMA Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Palmer Township, Washington County, as of December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 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.

Palmer Township  
Washington County  
Independent Accountants' Report  
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Management's Discussion and analysis and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Permissive Sales Tax Fund and FEMA Fund are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures consisting of inquires 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.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.



**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

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

**Highlights**

Key highlights for 2005 are as follows:

Net assets of governmental activities in the General Fund increased \$4,833, a slight change from the prior year. The Property Taxes and Personal Property Taxes increased slightly – with the majority of the increase being FEMA Funds for Administration which was transferred from the FEMA Fund to the General Funds to be used for the auditing expenses.

The Government's general receipts are primarily property taxes. The property taxes represent 23% percent of the total cash received and the Local Government represents 66% for governmental activities during the year. Property and tax receipts for 2005 changed very little compared to 2004 as development within the Government has slowed.

The Township received \$46,368 for four (4) washed out road FEMA Projects which the township normally does not have in the budget. The Township had to match these funds with 25% which was paid out of the Gasoline Tax Fund.

The Township has no debts.

The Township's road employee has been on Workers Compensation this year, so a major part of the work was done by the Trustees with several part-time employees. Therefore, the Wages for Road Employees was not as much as they would have been normally. The Township has continued to pay the Vision, Dental, and Cancer policies for the employee while he is off.

**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 Government's cash basis of accounting.

**Report Components**

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government 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.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Basis of Accounting**

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

As a result of using the 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 cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Government did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Government 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 Government's general receipts.

These statements report the Government's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Government's financial health. Over time, increases or decreases in the Government's cash position is one indicator of whether the Government's financial health is improving or deteriorating. When evaluating the Government's financial condition, you should also consider other non-financial factors as well such as the Government's property tax base, the condition of the Government's capital assets and infrastructure, the extent of the Government'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 and income taxes.

In the statement of net assets and the statement of activities, the Government has one type of activity:

Governmental activities. Most of the Government's basic services are reported here, including fire, emergency service, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

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

Fund financial statements provide detailed information about the Government's major funds – not the Government as a whole. The Government 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 Government are split into three categories: governmental, proprietary and fiduciary.

**Governmental Funds** - Most of the Government's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Government'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 Government's programs. The Government'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 Government's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Permissive Sales Tax Fund and FEMA Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Government as a Whole**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	114,197	109,364
<b>Net Assets</b>		
Restricted for:		
Permanent Funds Cemetery		
Expendable	2,789	2,688
Non-Expendable	4,150	4,150
Other Purposes	90,349	89,841
Unrestricted	16,909	12,685
Total Net Assets	\$114,197	\$109,364

Table 1 provides a summary of the Government's net assets for 2005 compared to 2004 on a cash basis: Assets of governmental activities increased \$ 4,833 or 4.4 percent during 2005.

- The Government had no unexpected expenses and manages the funds prudently.
- Health benefit costs for the township are the same for 2004 and 2005 with a maximum of \$2,500 allowed for each elected official or full-time employee
- The Gasoline Tax amount increased considerably this year due to increased gasoline taxes.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**The Government as a Whole (Continued)**

Table 2 reflects the changes in net assets in 2005. Since the Government did not prepare financial statements in this format for 2004, 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.

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$2,655
Operating Grants and Contributions	177,438
Total Program Receipts	180,093
General Receipts:	
Property and Other Local Taxes	19,874
to Specific Programs	30,210
Interest	1,356
Total General Receipts	51,440
Total Receipts	231,533
Disbursements:	
General Government	37,059
Security of Persons and Property:	1,327
Public Health Services	4,872
Leisure Time Activities	2,278
Public Works	171,176
Capital Outlay	9,988
Total Disbursements	226,700
Excess (Deficiency) Before Transfers	4,833
Transfers	
Increase (Decrease) in Net Assets	4,833
Net Assets, January 1, 2005	109,364
Net Assets, December 31, 2005	\$114,197

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**The Government as a Whole (Continued)**

Program receipts represent 77 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as Motor Vehicle License, Gas Tax money, Road and Bridge and 1% Permissive Sales Funds.

General receipts represent 23 percent of the Government's total receipts, and of this amount, over 37 percent are local taxes. State and federal grants and entitlements make up the balance of the Government's general receipts (61 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government activities. These include the costs of the board of trustees and the clerk. Since these costs do not represent direct services to residents, we try to limit these costs to 20% of General Fund unrestricted receipts.

Security of Persons and Property are the costs of Emergency Services and fire protection; Public Health Services is payment to the county for the health department; Leisure Time Activities are the costs of maintaining the Community Building and grounds.

**Governmental Activities**

If you look at the "Statement of Activities – Cash Basis" which is attached you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program public works disbursements for governmental activities are for maintaining 27.3 miles of public roads and security of persons and property, which account for 76 percent of all governmental disbursements. General government also represents a significant cost, about 17 percent. The three columns of the Statement entitled Program Receipts identify amounts operating grants received by the Government 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.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Government Activities (Continued)**

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$37,059	(\$6,316)
Security of Persons and Property	1,327	(1,327)
Public Health Services	4,872	(3,266)
Leisure Time Activities	2,278	(1,128)
Economic Development		
Public Works	171,176	(36,075)
Other	0	11,493
Capital Outlay	9,988	(9,988)
Principal Retirement		
Interest and Fiscal Charges	0	
Total Expenses	\$226,700	(\$46,607)

The dependence upon the receipt of property and other tax receipts is apparent as the account for over 21% of the general receipts

**The Government's Funds**

Total General funds had receipts of \$45,977 and disbursements of \$41,753. The fund balance of the General Fund increased \$4,224 as the result of decreased amounts for benefits as the full time employee was on Workers' Compensation and the amount of Property Taxes the Township received was \$8,514 in 2004 and \$9,385 in 2005 which was a small increase of \$871.00 and not achieving anticipated growth in income and property tax receipts. Part of this increase in the General Fund this year was because of \$1,783.00 which was from the FEMA fund for Administrative Expenses.

**General Fund Budgeting Highlights**

The Government'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.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**General Fund Budgeting Highlights (Continued)**

During 2005, the Government amended its General Fund budget several times to reflect changing circumstances. Several Amended Certificates were requested during the year to cover increases in the Budget Amounts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$55,234 while actual disbursements were \$41,754, which shows that 75% of budgeted disbursement amount was disbursed. The Government kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

The Township has no debt.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a balanced budget each of the next several years if there are no decreases in the property taxes and no cuts in the Local Government Funds, Motor Vehicle Taxes, and Gasoline Taxes which are now being received as the Trustees have been very prudent in their planning and spending and have not had any debts in several years.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government'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 Alys L. Wagner, Fiscal Officer, Palmer Township, 2505 Brownrigg Road, Waterford, OH 45786

**Palmer Township, Washington County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 114,197
<i>Total Assets</i>	114,197
 <b>Net Assets</b>	
Restricted for:	
Permanent	6,939
Other Purposes	90,349
Unrestricted	16,909
<i>Total Net Assets</i>	\$ 114,197

See accompanying notes to the basic financial statements



**Palmer Township, Washington County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2005*

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
General Government	\$ 37,059	\$	\$ 30,743	\$ (6,316)
Public Safety	1,327			(1,327)
Public Works	171,176		135,101	(36,075)
Health	4,872	1,505	101	(3,266)
Conservation-Recreation	2,278	1,150		(1,128)
Other			11,493	11,493
Capital Outlay	9,988			(9,988)
<i>Total Governmental Activities</i>	<u>\$ 226,700</u>	<u>\$ 2,655</u>	<u>\$ 177,438</u>	<u>(46,607)</u>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				19,874
Grants and Entitlements not Restricted to Specific Programs				30,210
Interest				1,356
<i>Total General Receipts</i>				<u>51,440</u>
Change in Net Assets				4,833
<i>Net Assets Beginning of Year</i>				<u>109,364</u>
<i>Net Assets End of Year</i>				<u>\$ 114,197</u>

See accompanying notes to the basic financial statements

**Palmer Township, Washington County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 16,909	\$ 52,485	\$ 25,316	\$ 19,487	\$ 114,197
<i>Total Assets</i>	<u>16,909</u>	<u>52,485</u>	<u>25,316</u>	<u>19,487</u>	<u>114,197</u>
<b>Fund Balances</b>					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	16,909				16,909
Special Revenue Funds		52,485	25,316	12,548	90,349
Permanent Fund				6,939	6,939
<i>Total Fund Balances</i>	<u>\$ 16,909</u>	<u>\$ 52,485</u>	<u>\$ 25,316</u>	<u>\$ 19,487</u>	<u>\$ 114,197</u>

See accompanying notes to the basic financial statements

**Palmer Township, Washington County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Permissive Sales Tax	FEMA	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$ 9,385		\$ 8,281				\$ 17,666
Licenses, Permits and Fees	405					1,000	1,405
Intergovernmental	34,123	87,621	1,881	29,785	46,368	9,367	209,145
Interest	505	700				252	1,457
Other	1,559	200				100	1,859
<i>Total Receipts</i>	<u>45,977</u>	<u>88,521</u>	<u>10,162</u>	<u>29,785</u>	<u>46,368</u>	<u>10,719</u>	<u>231,532</u>
<b>Disbursements</b>							
Current:							
General Government	34,926				1,783	350	37,059
Public Safety	1,327	77,245	4,882	29,785			113,239
Public Works					44,585	14,680	59,265
Health	3,134					1,738	4,872
Conservation-Recreation	2,277						2,277
Capital Outlay	89	6,815				3,083	9,987
<i>Total Disbursements</i>	<u>41,753</u>	<u>84,060</u>	<u>4,882</u>	<u>29,785</u>	<u>46,368</u>	<u>19,851</u>	<u>226,699</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,224</u>	<u>4,461</u>	<u>5,280</u>	<u>0</u>	<u>0</u>	<u>(9,132)</u>	<u>4,833</u>
<i>Net Change in Fund Balances</i>	4,224	4,461	5,280	0	0	(9,132)	4,833
<i>Fund Balances Beginning of Year</i>	<u>12,685</u>	<u>48,024</u>	<u>20,036</u>	<u>0</u>	<u>0</u>	<u>28,619</u>	<u>109,364</u>
<i>Fund Balances End of Year</i>	<u>\$ 16,909</u>	<u>\$ 52,485</u>	<u>\$ 25,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,487</u>	<u>\$ 114,197</u>

See accompanying notes to the basic financial statements

**Palmer Township, Washington 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>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 8,549	\$ 9,432	\$ 9,385	\$ (47)
Licenses, Permits and Fees		405	405	0
Intergovernmental	31,680	34,123	34,123	0
Interest	450	532	505	(27)
Other	1,870	1,870	1,559	(311)
<i>Total receipts</i>	<u>42,549</u>	<u>46,362</u>	<u>45,977</u>	<u>(385)</u>
<b>Disbursements</b>				
Current:				
General Government	43,752	43,253	34,926	8,327
Public Safety	3,300	3,800	1,327	2,473
Health	4,230	4,230	3,134	1,096
Conservation-Recreation	2,300	2,853	2,277	576
Capital Outlay	1,652	1,098	89	1,009
<i>Total Disbursements</i>	<u>55,234</u>	<u>55,234</u>	<u>41,753</u>	<u>13,481</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,685)</u>	<u>(8,872)</u>	<u>4,224</u>	<u>13,096</u>
<i>Net Change in Fund Balance</i>	(12,685)	(8,872)	4,224	13,096
<i>Fund Balance Beginning of Year</i>	<u>12,685</u>	<u>12,685</u>	<u>12,685</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ 3,813</u>	<u>\$ 16,909</u>	<u>\$ 13,096</u>

See accompanying notes to the basic financial statements

**Palmer Township, Washington County**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Gas Tax Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Intergovernmental	\$ 80,861	\$ 87,625	\$ 87,621	\$ (4)
Interest	500	705	700	(5)
Other		200	200	0
<i>Total receipts</i>	<u>81,361</u>	<u>88,530</u>	<u>88,521</u>	<u>(9)</u>
<b>Disbursements</b>				
Current:				
Public Works	101,123	106,623	77,245	29,378
Capital Outlay	<u>28,262</u>	<u>22,762</u>	<u>6,815</u>	<u>15,947</u>
<i>Total Disbursements</i>	<u>129,385</u>	<u>129,385</u>	<u>84,060</u>	<u>45,325</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(48,024)</u>	<u>(40,855)</u>	<u>4,461</u>	<u>45,316</u>
<i>Net Change in Fund Balance</i>	(48,024)	(40,855)	4,461	45,316
<i>Fund Balance Beginning of Year</i>	<u>48,024</u>	<u>48,024</u>	<u>48,024</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ 7,169</u>	<u>\$ 52,485</u>	<u>\$ 45,316</u>

See accompanying notes to the basic financial statements

**Palmer Township, Washington 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>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 7,545	\$ 8,323	\$ 8,281	\$ (42)
Intergovernmental	<u>2,006</u>	<u>2,006</u>	<u>1,881</u>	<u>(125)</u>
<i>Total receipts</i>	<u>9,551</u>	<u>10,329</u>	<u>10,162</u>	<u>(167)</u>
<b>Disbursements</b>				
Current:				
Public Works	20,000	20,000	4,882	15,118
Capital Outlay	<u>9,587</u>	<u>9,587</u>	<u>          </u>	<u>9,587</u>
<i>Total Disbursements</i>	<u>29,587</u>	<u>29,587</u>	<u>4,882</u>	<u>24,705</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,036)</u>	<u>(19,258)</u>	<u>5,280</u>	<u>24,538</u>
<i>Net Change in Fund Balance</i>	(20,036)	(19,258)	5,280	24,538
<i>Fund Balance Beginning of Year</i>	<u>20,036</u>	<u>20,036</u>	<u>20,036</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ 778</u>	<u>\$ 25,316</u>	<u>\$ 24,538</u>

See accompanying notes to the basic financial statements

**Palmer Township, Washington County**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Permissive Sales Tax Fund  
 For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Intergovernmental	\$ 36,754	\$ 36,754	\$ 29,785	\$ (6,969)
<i>Total receipts</i>	<u>36,754</u>	<u>36,754</u>	<u>29,785</u>	<u>(6,969)</u>
<b>Disbursements</b>				
Current:				
Public Works	36,754	36,754	29,785	6,969
<i>Total Disbursements</i>	<u>36,754</u>	<u>36,754</u>	<u>29,785</u>	<u>6,969</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**Palmer Township, Washington County**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 FEMA Fund  
 For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Intergovernmental	\$ 46,368.00	\$ 46,368.00	\$ 46,368.00	\$ -
<i>Total receipts</i>	<u>46,368</u>	<u>46,368</u>	<u>46,368</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
General Government	1,783	1,783	1,783	0
Public Works	<u>44,585</u>	<u>44,585</u>	<u>44,585</u>	<u>0</u>
<i>Total Disbursements</i>	<u>46,368</u>	<u>46,368</u>	<u>46,368</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	-	-	-	0
<i>Fund Balance Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements



**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$ 8,514	7,512		16,026
Intergovernmental	33,127	114,584		147,711
Licenses, Permits, and Fees	100	350		450
Earnings on Investments	402	656	37	1,095
Other Revenue	1,397	385		1,782
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	43,540	123,487	37	167,064
<b>Cash Disbursements:</b>				
Current:				
General Government	35,069	408		35,477
Public Safety	1,355	-		1,355
Public Works		98,350		98,350
Health	2,523	962		3,484
Conservation - Recreation	1,696			1,696
Capital Outlay	135			135
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	40,778	99,720	-	140,498
Total Cash Receipts Over/(Under) Disbursements	2,762	23,767	37	26,566
Fund Cash Balances, January 1	9,923	66,073	6,801	82,798
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 12,685</b>	<b>\$ 89,841</b>	<b>\$ 6,838</b>	<b>\$ 109,364</b>

See accompanying notes to the basic financial statements

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Note 1 – Reporting Entity**

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

The reporting entity is comprised of the primary government 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 road and bridge maintenance, cemetery maintenance, emergency service and fire protection. The Township contracts with the Barlow Volunteer Fire Department, Wesley Township Volunteer Fire Department, Waterford Township Volunteer Fire Department and the Watertown Volunteer Fire Department to provide fire and emergency services.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This 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 cash basis of accounting. In the government-wide financial statements, 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 cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

For 2005, 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.

**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 show governmental activities of the Township. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

**A. Basis of Presentation (continued)**

**Government-Wide Financial Statements (continued)**

The statement of net assets presents the cash balance and debt of the governmental 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 cash basis or draws from the Township's general receipts.

**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.

For 2004, The Township's basic financial statement consists of a Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances for all Governmental and Fiduciary Fund Types.

**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. All funds of the Township for 2005 are categorized as governmental.

**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 2005 major governmental funds were the General, motor vehicle license, gasoline, road and bridge and permissive sales tax funds. 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. The gasoline, road and bridge, permissive sales tax fund and FEMA fund are used, to a great extent, for road maintenance/repair, expenditures to keep Township equipment in working order and purchase new capital assets.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

**Fiduciary Funds (Trust Funds)**

Classified as Permanent Funds in 2005. These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a non-expendable Trust fund.

The Township has two cemetery bequest funds classified as Permanent Non-expendable Trust funds. These Funds received interest earned on the principal invested in certificates of deposit.

During 2004, the township classified its funds into the following categories:

**General Fund**

The Township classified funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's General Fund is the general operating fund and is a major governmental fund and it is used to account for all financial resources except those required to be accounted for in another funds. 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.

**Special Revenue Funds**

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

*Gasoline Tax Fund* – This fund receives gasoline tax money for constructing, maintaining and repairing Township Roads.

*Road and Bridge Fund* – This fund receives property tax money for constructing, maintaining and repairing Township Roads.

*Permissive Sales Tax Fund* – This fund receives funds from Washington County through the one-half percent County Sales Tax to construct, repair and maintain Township roads and bridges.

*FEMA Fund* – this fund receives monies from the Federal Emergency Management Association for emergency situations relating to disasters.

The Township's Gasoline Fund, Road and Bridge Fund, Permissive Sales Tax Fund and the FEMA Fund are governmental funds and were classified as Major Funds.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

**C. Basis of Accounting**

For 2005, the Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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 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.

For 2004, the financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**D. Budgetary Process**

All 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 is established and approved for the funds by the Board of Trustees. These appropriations are submitted to the Washington County Auditor's office.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. 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 at the beginning of the year. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate 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, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

A summary of 2004 budgetary activity appears in Note 3.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

**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”.

In compliance with the GASB guidelines, the Township has no investments. The Township’s Permanent Funds for Cemetery Bequests (\$4,150) are invested in Certificates of Deposits at the Bartlett Farmers Bank.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

Interest earnings are allocated to Township funds according to State statutes.

**Interest**

	<b><u>General Fund</u></b>	<b><u>MV Fund</u></b>	<b><u>Gas Fund</u></b>	<b><u>Permanent Funds</u></b>
<b>2005</b>	\$505.42	\$150.95	\$700.03	\$101.27
<b>2004</b>	\$401.55	\$155.39	\$500.56	\$ 36.83

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent all funds with the exception of the General Fund. These funds represent the majority expenditures for supplies, repair and maintenance for the Township. FEMA monies are used for specified projects. The cemetery funds (labeled Permanent Funds under GASB) are used to maintain the cemeteries.

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**K. 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.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Note 2 – Summary of Significant Accounting Policies (continued)**

**L. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**M. 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 governmental funds are used for the following purposes: used primarily for road maintenance/repair but also encompass many other purposes as salaries (and related expenses as OPERS, Social Security and Medicare), insurance, equipment purchases, etc.; FEMA monies are received for specific purposes and can be used only for those purposes; permissive sales tax is used for roads and equipment and cemetery funding is restricted to usage for cemeteries. 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. The Township has no levies for outside millage.

**Note 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 and Bridge Fund, Gasoline Fund, Permissive Tax Fund and FEMA Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). There were no encumbrances outstanding at year end. There were no outstanding advances at year end.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Note 3. BUDGETARY BASIS OF ACCOUNTING (continued)**

Budgetary activity for the year ended December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,811	\$43,540	(\$271)
Special Revenue	139,765	123,487	(16,278)
Fiduciary	0	37	37
Total	\$183,576	\$167,064	(\$16,512)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,923	\$40,778	\$10,145
Special Revenue	158,268	99,720	58,548
Fiduciary	2,801	0	2,801
Total	\$211,992	\$140,498	\$71,494

**Note 4. Deposits and Investments**

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.

With Local Government Services information and GASB classifications, it is determined that the Township has no investments. Active monies of the township are maintained as cash in a (NOW) checking account at the Bartlett Farmers Bank.

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.

At year- end, the Township had no undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents". The total amount of Township's deposits at 2005-year end was \$114,197 and 2004 was \$109,364.

**Deposits:** The Township has no deposit policy for custodial risk beyond the requirements of State statute. 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.



**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Note 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 full tax rate for all Township operations for the year ended December 31, 2005, was \$3.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

	<b>2005</b>	<b>2004</b>
Real Property		
Residential	\$ 1,950,760	\$1,818,070
Agriculture	3,573,320	3,477,600
Commercial	0	5,110
Industrial	0	0
Mineral	71,380	80,270
Public Utility Property		
Real	0	0
Personal	601,340	591,600
Tangible Personal Property	73,560	83,180
Total Assessed Value	\$6,270,360	\$6,055,830

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Note 6. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTAMRA provides property and casualty coverage for its members. OTAMRA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTAMRA. OTAMRA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles. Coverage provided by OTAMRA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	\$2,000,000	Per Occurrence
Law Enforcement Operations	N/A	Per Occurrence
Wrongful Acts	\$2,000,000	Per Occurrence
Property		Total Coverage
Boiler and Machinery	N/A	Limit

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years.

**Casualty Coverage**

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

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

**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, 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Note 7. TOWNSHIP INSURANCE POLICY BY RESOLUTION**

Insurance may be paid on all Trustees, Fiscal Officer and Road Maintenance Employee paying not more than \$2,500 each year for any insurance. Group Health Care premiums may be reimbursed to Trustees, Fiscal Officer, and the township's employee for group health care insurance premiums charged by insurance companies or employers other than the township, as listed in Ohio Rev. code 505.60, but not to exceed payment of \$2,500 for each individual.

**Note 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.

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 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 (13.55%) pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004 and 2003 were \$5,804.86, \$5,798.19 and \$5,758.75 respectively. The full amount has been contributed for each year. Contributions by employees deductions (8.5%) for years ended December 31, 2005, 2004 and 2003 were \$3,641.43, \$3,637.29 and \$3,612.50 respectively.

**PALMER TOWNSHIP  
WASHINGTON COUNTY**

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

**Note 9. POSTEMPLOYMENT 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 Postemployment 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 postemployment 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.

***Perry & Associates***  
Certified Public Accountants, A.C.

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

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

March 10, 2006

Palmer Township  
Washington County  
2505 Brownrigg Road  
Waterford, Ohio 45786

To the Board of Trustees:

We have audited the financial statements of Palmer Township, Washington County, (the Township) as of and for the year ended December 31, 2004, and have issued our report thereon dated March 10, 2006, wherein we noted the financial statements for the period ended December 31, 2004 the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Palmer Township, Washington County, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated March 10, 2006. 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 in order to express our opinions 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to 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

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

### **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 that are required to be reported under *Government Auditing Standards*.

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

**Perry and Associates**  
Certified Public Accountants, A.C.



**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

**PALMER TOWNSHIP**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 01, 2006**