



**Auditor of State
Betty Montgomery**

**TROY TOWNSHIP
GEAUGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Troy Township
Geauga County
13950 Main Market Road
Burton, Ohio 44021

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 Troy Township, Geauga County, Ohio, (the Township) as of and for the year ended December 31, 2005, 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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, 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 Troy Township, Geauga County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Road & Bridge, and Fire District funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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 and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 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 16, 2006

**TROY TOWNSHIP
GEAUGA COUNTY**
Management's Discussion and Analysis
December 31, 2005
Unaudited

This discussion and analysis of Troy Township, Geauga County, Ohio, (the Township) 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 decreased \$247,645, or 32.8 percent, a significant change from the prior year. The funds most affected by the decrease in cash and cash equivalents were the Road & Bridge fund and the Fire District fund, which realized the greatest burden of increased costs in 2005 (as explained in paragraphs 3 through 5 of this section).

The Township's general receipts are primarily property and other local taxes. These receipts represent 67.5 percent of the total cash received for governmental activities during the year. Property tax and other local taxes receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

The Township undertook the first of two phases of the Stafford Road improvement project. During the summer and fall months, a major portion of the work was completed including ditching, bank seeding, raising a portion of the roadway, cement stabilization and application of two lifts of asphalt. Remaining work is scheduled to be completed in 2006.

The Township's road maintenance and improvement programs continued and were in large part supported by tax collections from the renewal of its Road & Bridge levy in November 2004.

The Township fire department recorded two significant highlights during the year. The 2001 Fire Truck Acquisition Bonds were paid in full, well in advance of the scheduled December 2008 pay-off date. In February 2005, the department took delivery of and paid cash for a new EMS vehicle (purchase price of \$118,448.00). Increasing Fire District fund revenues as well as appropriate planning enabled the department to complete these transactions.

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.

**TROY TOWNSHIP
GEAUGA COUNTY**
Management's Discussion and Analysis
December 31, 2005
Unaudited

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.

Reporting the Township as a Whole

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 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's activities are presented as the following:

Governmental activities. Most of the Township's basic services are reported here, including fire, streets and parks. 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 classified as either governmental or fiduciary. There are no proprietary funds.

**TROY TOWNSHIP
GEAUGA COUNTY**
Management's Discussion and Analysis
December 31, 2005
Unaudited

Governmental Funds - Most of the Township's activities are reported in 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 include the General, Gasoline Tax, Road and Bridge, Fire District, and General Bond Retirement funds. 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 Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 1)
Net Assets

	Governmental Activities
	2005
Assets	
Equity in Pooled Cash and Cash Equivalents	\$506,977
Total Assets	\$506,977
Net Assets	
Restricted for:	
Capital Outlay	\$28,006
Debt Service	627
Other Purposes	406,088
Unrestricted	72,256
Total Net Assets	\$506,977

As mentioned previously, net assets of governmental activities decreased \$247,645 or 32.8 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- The Township continues its road maintenance and improvement program. Road maintenance costs included but were not limited to snow removal, roadside mowing, ditching, drive pipe replacement, hole repairs, chip sealing, and brush/tree trimming. Improvements to Stafford Road included ditching, bank stabilization (seeding), raising a low section of roadway (approximately 1,200 feet), cement stabilization, and two lifts of asphalt. The Road and Bridge fund had a decrease in fund balance of \$215,978 during 2005.
- In 2005, the Township paid off the 2001 Fire Truck Acquisition Bonds. The pay-off amount was \$122,539.

**TROY TOWNSHIP
GEAUGA COUNTY**
Management's Discussion and Analysis
December 31, 2005
Unaudited

Table 2 reflects the changes in net assets in 2005. Since the Township 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.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$5,019
Operating Grants and Contributions	79,919
Total Program Receipts	84,938
General Receipts:	
Property and Other Local Taxes	573,775
Grants and Entitlements	
Not Restricted to Specific Programs	157,351
Earnings on Investments	5,835
Miscellaneous	28,207
Total General Receipts	765,168
Total Receipts	850,106
Disbursements:	
General Government	112,013
Public Safety	96,867
Public Works	553,752
Health	7,416
Conservation - Recreation	13,442
Capital Outlay	136,800
Principal Retirement	159,053
Interest and Fiscal Charges	18,408
Total Disbursements	1,097,751
Increase (Decrease) in Net Assets	(247,645)
Net Assets, January 1, 2005	754,622
Net Assets, December 31, 2005	\$506,977

Program receipts represent 10.0 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits, town hall rentals, and cemetery lot sales.

General receipts represent 90.0 percent of the Township's total receipts, and of this amount, 75.0 percent are property and other local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (approximately 20.6 percent). Other receipts are insignificant and somewhat unpredictable revenue sources.

**TROY TOWNSHIP
GEAUGA COUNTY**

Management's Discussion and Analysis
December 31, 2005
Unaudited

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 elected township officials, and the state and county auditor and treasurer departments, 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. Public Safety is the cost of fire protection and EMS; Public Works is the cost of maintaining and improving the roads, Conservation-Recreation is the cost of maintaining the parks and playing fields, and Health is the cost of maintaining cemeteries. Public Health Services and police protection are provided by Geauga County and are funded through county tax levies.

Governmental Activities

If you look at the Statement of Activities on page 10, 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 works and principal retirement which account for 50.4 and 14.5 percent of all governmental disbursements, respectively. Capital outlay and general government also represent significant costs, about 12.5 and 10.2 percent respectively. 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 (Disbursements) Receipts and Changes in Net Assets 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

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$112,013	(\$106,994)
Public Safety	96,867	(96,867)
Public Works	553,752	(473,833)
Health	7,416	(7,416)
Conservation-Recreation	13,442	(13,442)
Capital Outlay	136,800	(136,800)
Debt Service: Principal	159,053	(159,053)
Debt Services: Interest	18,408	(18,408)
Total Expenses	<u>\$1,097,751</u>	<u>(\$1,012,813)</u>

The dependence upon property tax receipts is apparent as over 92 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$850,106 and disbursements of \$1,097,751. The greatest change within governmental funds occurred within the Road & Bridge Fund. The fund balance of the Road & Bridge Fund decreased \$215,978 as the result of costs associated with the Stafford Road project. This decrease in fund balance indicates the Road & Bridge Fund is in a deficit spending situation. The Board of Trustees is aware of and approved this deficit spending in order to continue its progressive road improvement program. The Township anticipates the cost of road projects and plans for significant carryover amounts in years immediately prior to beginning major road improvement projects.

**TROY TOWNSHIP
GEAUGA COUNTY**
Management's Discussion and Analysis
December 31, 2005
Unaudited

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 the budget as needed to accommodate anticipated receipts and disbursements.

Final receipts in the General fund were budgeted at \$143,599, while actual receipts were \$177,338. Final disbursements in the General fund were budgeted at \$175,581, while actual disbursements were \$137,064.

Capital Assets and Debt Administration

Capital Assets

The Township maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

Debt

At December 31, 2005, the Township's outstanding debt included \$218,115 in general obligation bonds issued for the Community House Improvement Project initiated in 2000. During 2005, resources from the Fire Fund were used to pay off the 2001 Fire Truck Acquisition Bonds (a principal amount of \$122,539 and an interest amount of \$3,155. For further information regarding the Township's debt, refer to Note 9 to the basic financial statements.

Current Issues

The challenge for all governmental entities is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Troy Township relies heavily on local taxes and has limited industry to support the tax base. The Board of Trustees is concerned about the reduction and eventual elimination of the Personal Property tax revenues and the likelihood of the elimination of Estate Tax. In the future, the Township may need to seek alternative funding to avoid deficit situations and the elimination of services to the residents.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors 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 Susan E. Miller, Fiscal Officer, Troy Township, 13950 Main Market Road, Burton Ohio 44021.

**TROY TOWNSHIP
GEAUGA COUNTY**

*Statement of Net Assets - Modified Cash Basis
December 31, 2005*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$506,977</u>
<i>Total Assets</i>	<u><u>\$506,977</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$28,006
Debt Service	627
Other Purposes	406,088
Unrestricted	<u>72,256</u>
<i>Total Net Assets</i>	<u><u>\$506,977</u></u>

See accompanying notes to the basic financial statements

TROY TOWNSHIP
GEAUGA COUNTY
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$112,013	\$5,019	\$0	(\$106,994)
Public Safety	96,867	0	0	(96,867)
Public Works	553,752	0	79,919	(473,833)
Health	7,416	0	0	(7,416)
Conservation-Recreation	13,442	0	0	(13,442)
Capital Outlay	136,800	0	0	(136,800)
Principal Retirement	159,053	0	0	(159,053)
Interest and Fiscal Charges	18,408	0	0	(18,408)
<i>Total Governmental Activities</i>	<u>\$1,097,751</u>	<u>\$5,019</u>	<u>\$79,919</u>	<u>(1,012,813)</u>
		General Receipts		
		Property Taxes Levied for:		
		General Purposes	57,853	
		Road and Bridge Fund	247,040	
		Fire District Fund	199,777	
		General Bond Retirement Fund	69,105	
		Grants and Entitlements		
		Not Restricted to Specific Programs	157,351	
		Interest	5,835	
		Miscellaneous	28,207	
		<i>Total General Receipts</i>	765,168	
		Change in Net Assets		(247,645)
		<i>Net Assets Beginning of Year</i>		<u>754,622</u>
		<i>Net Assets End of Year</i>		<u>\$506,977</u>

See accompanying notes to the basic financial statements

**TROY TOWNSHIP
GEAUGA COUNTY**
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Gasoline Tax	Road and Bridge	Fire District	General Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$72,256	\$78,520	\$31,995	\$271,191	\$0	\$53,015	\$506,977
Total Assets	\$72,256	\$78,520	\$31,995	\$271,191	\$0	\$53,015	\$506,977
Fund Balances							
Unreserved:							
Undesignated, Reported in:							
General Fund	\$72,256	\$0	\$0	\$0	\$0	\$0	\$72,256
Special Revenue Funds	0	78,520	31,995	271,191	0	24,382	406,088
Debt Service Fund	0	0	0	0	0	627	627
Capital Projects Fund	0	0	0	0	0	28,006	28,006
Total Fund Balances	\$72,256	\$78,520	\$31,995	\$271,191	\$0	\$53,015	\$506,977

See accompanying notes to the basic financial statements

**TROY TOWNSHIP
GEAUGA COUNTY**

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005*

Total Governmental Fund Balances	<u>\$506,977</u>
<i>Net Assets of Governmental Activities</i>	<u>\$506,977</u>

See accompanying notes to the basic financial statements

**TROY TOWNSHIP
GEAUGA COUNTY**
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Gasoline Tax	Road and Bridge	Fire District	General Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$57,853	\$0	\$247,040	\$199,777	\$69,105	\$0	\$573,775
Intergovernmental	104,181	73,230	25,770	27,400	0	6,689	237,270
Licenses, Permits, and Fees	5,019	0	0	0	0	0	5,019
Interest	2,060	2,943	0	0	0	832	5,835
Miscellaneous	8,225	0	0	19,732	0	250	28,207
<i>Total Receipts</i>	<u>177,338</u>	<u>76,173</u>	<u>272,810</u>	<u>246,909</u>	<u>69,105</u>	<u>7,771</u>	<u>850,106</u>
Disbursements							
Current:							
General Government	112,013	0	0	0	0	0	112,013
Public Safety	0	0	0	96,867	0	0	96,867
Public Works	3,746	61,218	488,788	0	0	0	553,752
Health	7,237	0	0	0	0	179	7,416
Conservation-Recreation	13,442	0	0	0	0	0	13,442
Capital Outlay	626	0	0	136,174	0	0	136,800
Debt Service:							
Principal Retirement	0	0	0	0	159,053	0	159,053
Interest and Fiscal Charges	0	0	0	0	18,408	0	18,408
<i>Total Disbursements</i>	<u>137,064</u>	<u>61,218</u>	<u>488,788</u>	<u>233,041</u>	<u>177,461</u>	<u>179</u>	<u>1,097,751</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>40,274</u>	<u>14,955</u>	<u>(215,978)</u>	<u>13,868</u>	<u>(108,356)</u>	<u>7,592</u>	<u>(247,645)</u>
Other Financing Sources (Uses)							
Transfers In	0	0	0	0	108,356	0	108,356
Transfers Out	0	0	0	(108,356)	0	0	(108,356)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(108,356)</u>	<u>108,356</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>40,274</u>	<u>14,955</u>	<u>(215,978)</u>	<u>(94,488)</u>	<u>0</u>	<u>7,592</u>	<u>(247,645)</u>
<i>Fund Balances Beginning of Year</i>	<u>31,982</u>	<u>63,565</u>	<u>247,973</u>	<u>365,679</u>	<u>0</u>	<u>45,423</u>	<u>754,622</u>
<i>Fund Balances End of Year</i>	<u>\$72,256</u>	<u>\$78,520</u>	<u>\$31,995</u>	<u>\$271,191</u>	<u>\$0</u>	<u>\$53,015</u>	<u>\$506,977</u>

See accompanying notes to the basic financial statements

**TROY TOWNSHIP
GEAUGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2005*

Net Change in Fund Balances - Total Governmental Funds	<u>(\$247,645)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$247,645)</u></u>

See accompanying notes to the basic financial statements

**TROY TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$46,935	\$46,935	\$57,853	\$10,918
Intergovernmental	78,982	78,982	104,181	25,199
Licenses, Permits, and Fees	4,547	4,547	5,019	472
Interest	6,135	6,135	2,060	(4,075)
Miscellaneous	7,000	7,000	8,225	1,225
<i>Total receipts</i>	<u>143,599</u>	<u>143,599</u>	<u>177,338</u>	<u>33,739</u>
Disbursements				
Current:				
General Government	114,857	122,557	112,013	10,544
Public Safety	0	1,000	0	1,000
Public Works	4,055	3,897	3,746	151
Health	7,250	7,250	7,237	13
Conservation-Recreation	4,419	13,619	13,442	177
Capital Outlay	45,000	27,258	626	26,632
<i>Total Disbursements</i>	<u>175,581</u>	<u>175,581</u>	<u>137,064</u>	<u>38,517</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(31,982)</u>	<u>(31,982)</u>	<u>40,274</u>	<u>72,256</u>
<i>Fund Balance Beginning of Year</i>	<u>31,982</u>	<u>31,982</u>	<u>31,982</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$72,256</u></u>	<u><u>\$72,256</u></u>

See accompanying notes to the basic financial statements

**TROY TOWNSHIP
GEAUGA 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>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$52,448	\$52,448	\$73,230	\$20,782
Interest	700	700	2,943	2,243
<i>Total receipts</i>	<u>53,148</u>	<u>53,148</u>	<u>76,173</u>	<u>23,025</u>
Disbursements				
Current:				
Public Works	116,712	116,712	61,218	55,494
<i>Total Disbursements</i>	<u>116,712</u>	<u>116,712</u>	<u>61,218</u>	<u>55,494</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(63,564)</u>	<u>(63,564)</u>	<u>14,955</u>	<u>78,519</u>
<i>Fund Balance Beginning of Year</i>	<u>63,565</u>	<u>63,565</u>	<u>63,565</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1</u>	<u>\$1</u>	<u>\$78,520</u>	<u>\$78,519</u>

See accompanying notes to the basic financial statements

**TROY TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road & Bridge Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$225,700	\$225,700	\$247,040	\$21,340
Intergovernmental	24,695	24,695	25,770	1,075
Miscellaneous	500	500	0	(500)
<i>Total receipts</i>	<u>250,895</u>	<u>250,895</u>	<u>272,810</u>	<u>21,915</u>
Disbursements				
Current:				
Public Works	498,868	498,868	488,788	10,080
<i>Total Disbursements</i>	<u>498,868</u>	<u>498,868</u>	<u>488,788</u>	<u>10,080</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(247,973)</u>	<u>(247,973)</u>	<u>(215,978)</u>	<u>31,995</u>
<i>Fund Balance Beginning of Year</i>	<u>247,973</u>	<u>247,973</u>	<u>247,973</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$31,995</u>	<u>\$31,995</u>

See accompanying notes to the basic financial statements

**TROY TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District 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>		
Receipts				
Property and Other Local Taxes	\$164,622	\$164,622	\$199,777	\$35,155
Intergovernmental	22,420	22,420	27,400	4,980
Miscellaneous	20,000	20,000	19,732	(268)
<i>Total receipts</i>	<u>207,042</u>	<u>207,042</u>	<u>246,909</u>	<u>39,867</u>
Disbursements				
Current:				
Public Safety	153,376	153,376	96,867	56,509
Capital Outlay	310,989	310,989	136,174	174,815
<i>Total Disbursements</i>	<u>464,365</u>	<u>464,365</u>	<u>233,041</u>	<u>231,324</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(257,323)</u>	<u>(257,323)</u>	<u>13,868</u>	<u>271,191</u>
Other Financing Sources (Uses)				
Transfers Out	(108,356)	(108,356)	(108,356)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(108,356)</u>	<u>(108,356)</u>	<u>(108,356)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(365,679)</u>	<u>(365,679)</u>	<u>(94,488)</u>	<u>271,191</u>
<i>Fund Balance Beginning of Year</i>	<u>365,679</u>	<u>365,679</u>	<u>365,679</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$271,191</u>	<u>\$271,191</u>

See accompanying notes to the basic financial statements

TROY TOWNSHIP
GEAUGA COUNTY
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2005

	<u>Private Purpose Trust</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$698</u>
<i>Total Assets</i>	<u><u>\$698</u></u>
Net Assets	
Unrestricted	<u>\$698</u>
<i>Total Net Assets</i>	<u><u>\$698</u></u>

See accompanying notes to the basic financial statements

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**TROY TOWNSHIP
GEAUGA COUNTY**
Notes to the Basic Financial Statements
December 31, 2005

Note 1 – Reporting Entity

The Troy Township, Geauga County, Ohio, (the Township) is a body politic and corporate established in 1811 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 Fiscal Officer.

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.

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

Note 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. Following are the more significant of the Township's accounting policies.

A. Basis of Accounting

These financial statements follow a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Auditor of State prescribes.

B. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Township's funds are classified as either governmental or fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

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

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

Road and Bridge Fund – This fund receives real estate tax, homestead and rollback, and personal property tax money to maintain and repair township roads and bridges.

**TROY TOWNSHIP
GEAUGA COUNTY**
Notes to the Basic Financial Statements
December 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

Fire District Fund – This fund receives real estate tax, homestead and rollback, personal property tax money, and other state receipts for fire services for the Township.

Bond Retirement Fund – This fund receives proceeds of bonds sold and disburses payment for maturing bonds.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations or other governmental entities and are therefore not available to support the Township's own programs. The Township's trust fund is the Cemetery Bequest private purpose trust fund. Agency funds are custodial in nature, where the Township deposits and pays cash as required by agreement with another entity or individual. The Township does not have any agency funds.

C. 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.

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 Township, except for fiduciary funds.

The statement of net assets presents the financial condition 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 modified cash basis or draws from the Township's general receipts.

Fund Financial Statements 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 financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**TROY TOWNSHIP
GEAUGA COUNTY**
Notes to the Basic Financial Statements
December 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Cash and Investments

The Township had no investments at December 31, 2005. Funds are held in a business checking account.

E. Inventory

On the modified cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

F. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The accompanying financial statements do not report these items as assets.

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.

H. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function, object level of control in all funds, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

**TROY TOWNSHIP
GEAUGA COUNTY**
Notes to the Basic Financial Statements
December 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting

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 nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 –Compliance

The following line items had expenditures plus encumbrances in excess of appropriations as of July 31, 2005, in violation of Ohio Revised Code Section 5705.41 (B):

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General Fund:			
Administration - Contracted Services	\$250	\$500	\$250
Administration - Property Insurance Premiums	6,773	7,200	427
Other - Other Expenses	1,000	6,000	5,000
Special Revenue Fund:			
Fire District - Liability Insurance Premiums	3,500	5,000	1,500
Fire District - Motor Vehicles	80,989	151,644	70,655

The following line items had expenditures plus encumbrances in excess of appropriations as of December 31, 2005, in violation of Ohio Revised Code Section 5705.41 (B):

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General Fund:			
Administration - Uniform Accounting Network Fees	\$3,000	\$3,180	\$180
Administration - Travel and Meeting Expense	2,500	2,600	100
Administration - Contracted Services	250	500	250
Administration - Property Insurance Premiums	6,773	7,200	427
Administration - Other Expenses	3,786	4,203	417
Special Revenue Fund:			
Fire District - Liability Insurance Premiums	3,500	5,000	1,500
Fire District - Operating Supplies	4,576	5,000	424
Fire District - Motor Vehicles	80,989	151,644	70,655

**TROY TOWNSHIP
GEAUGA COUNTY**
Notes to the Basic Financial Statements
December 31, 2005
(Continued)

Note 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.

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).

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.

**TROY TOWNSHIP
GEAUGA COUNTY**
Notes to the Basic Financial Statements
December 31, 2005
(Continued)

Note 5 – Deposits and Investments (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$413,617 of the Township's bank balance of \$540,763 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. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

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.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

Note 7 – 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 Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**TROY TOWNSHIP
GEAUGA COUNTY**
Notes to the Basic Financial Statements
December 31, 2005
(Continued)

Note 7 – Risk Management (Continued)

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.

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.

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.

**TROY TOWNSHIP
GEAUGA COUNTY**

Notes to the Basic Financial Statements
December 31, 2005
(Continued)

Note 7 – Risk Management (Continued)

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
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	<u>(1,406,031)</u>	<u>(543,176)</u>
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 \$35,104.

Note 8 – Retirement Systems

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2005. The Township has paid all contributions required through December 31, 2005.

Note 9 – Debt

Debt outstanding as of December 31, 2005:

	<u>Principal</u>	<u>Maturity</u>	<u>Interest Rate</u>
2000 Building Improvement Bonds	\$218,115	December 2010	5.99%

**TROY TOWNSHIP
GEAUGA COUNTY**
Notes to the Basic Financial Statements
December 31, 2005
(Continued)

Note 9 – Debt (Continued)

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

Year Ending December 31:	<u>Total Payment</u>
2006	\$51,766
2007	51,766
2008	51,766
2009	51,766
2010	51,766
Total	<u><u>\$258,830</u></u>

Note 10 – Related Party Transactions

The owner of Burton Sheet Metal, Inc. is a Township Trustee. Burton Sheet Metal, Inc. performs the maintenance of the Township Hall Heating and Air Conditioning Unit. The Township paid \$346 to Burton Sheet Metal, Inc. in 2005.

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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*

Troy Township
Geauga County
13950 Main Market Road
Burton, Ohio 44021

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Troy Township, Geauga County, Ohio, (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 August 16, 2006, wherein we noted 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*. 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 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 16, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the Township's management dated August 16, 2006, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

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 16, 2006

**TROY TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

Finding Number	2005-001
-----------------------	-----------------

Expenditures Plus Encumbrances Exceeding Appropriations

Ohio Revised Code 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been properly appropriated.

During our testing, we noted the following line item had expenditures plus encumbrances exceeding appropriations as of July 31, 2005 and December 31, 2005:

<u>Fund</u>	<u>Total</u> <u>Appropriations</u>	<u>Total Expenditures</u> <u>Plus Encumbrances</u>	<u>Variance</u>
Special Revenue Fund:			
Fire District - Motor Vehicles	\$80,989	\$151,644	\$70,655

We recommend the Township compare expenditures and encumbrances to appropriations in all funds which are legally required to be budgeted, at the legal level of control, prior to making expenditure commitments, and make all necessary adjustments to the amounts appropriated to ensure compliance with the above requirements. This comparison, and amendment if necessary, should be completed on a monthly basis at a minimum.

Management Response

The above noted variance resulted from a mistake made by the Township in making their appropriation amendments. In the future, the Township will amend the appropriations on a regular basis to ensure that expenditures plus encumbrances do not exceed appropriations in any budgeted line item.



**Auditor of State
Betty Montgomery**

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TROY TOWNSHIP

GEAUGA 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 26, 2006**