



**Auditor of State  
Betty Montgomery**



**REILY TOWNSHIP  
BUTLER COUNTY**

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BUTLER COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Reily Township  
Butler County  
6937 Imhoff Road  
Oxofrd, Ohio 45056

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 Reily Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying 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.

In our opinion, the financial statements referred to above 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 Reily Township, Butler County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline, Road and Bridge, and Fire District Funds for both 2005 and 2004, and Miscellaneous Grants Fund for 2004 thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2005 and 2004, the Government 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 December 7, 2006, on our consideration of the Government'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 and the respective budgetary comparison for the General, Gasoline, Road and Bridge, and Fire District Funds for both 2004 and 2005 and the Miscellaneous Grants Fund for 2004 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 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.



**Betty Montgomery**  
Auditor of State

December 7, 2006

**REILY TOWNSHIP, BUTLER COUNTY**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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This discussion and analysis of the Reily Township, Butler County's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2005 & 2004, respectively, within the limitations of the Township's 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 & 2004 are as follows:

Net assets of governmental activities in 2005 decreased \$8,557, or 2.4 percent, an insignificant change from the prior year, which reflects increases in personnel costs. Net assets for 2004 increased \$116,550, or 31.8 percent, due to property re-evaluation by the County and an increase in Gas Tax.

The Township's general receipts are primarily property taxes. These receipts represent respectively 95.6 and 96.4 percent of the total cash received for governmental activities for 2005 and 2004 respectively.

**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 cash basis of accounting.

**Report Components**

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

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

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

**Basis of Accounting**

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

**REILY TOWNSHIP, BUTLER COUNTY**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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**Using the Basic Financial Statements**  
**(Continued)**

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 Township did financially during 2005 and 2004, within the limitations of 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 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 nonfinancial 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 and income taxes.

In the statement of net assets and the statement of activities, the Township activities are aggregated into one type:

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

**Reporting the Government'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 a Township are split into three categories: governmental, proprietary and fiduciary. The Township has no proprietary or fiduciary funds.

**REILY TOWNSHIP, BUTLER COUNTY**  
 Management's Discussion and Analysis  
 For the Years Ended December 31, 2005 and 2004  
 Unaudited

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**Reporting the Government's Most Significant Fund**  
**(Continued)**

Governmental Funds – All 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. Township 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 nonmajor 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 fund are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and the Fire District Fund. In addition to these major funds, the Township reported the Miscellaneous Grants Fund as a major fund in 2004. 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**

Table 1 provides a summary of Reily Township, Butler County's net assets for 2005 compared to 2004 on a cash basis:

| <b>Reily Township Net Assets</b> |                  |                  |
|----------------------------------|------------------|------------------|
| <b>Governmental Activities</b>   |                  |                  |
| <b>Assets</b>                    | <b>2005</b>      | <b>2004</b>      |
| Cash & Cash Equivalents          | <u>\$357,397</u> | <u>\$365,954</u> |
| Total Assets                     | <u>\$357,397</u> | <u>\$365,954</u> |
| <b>Net Assets</b>                |                  |                  |
| Restricted for:                  |                  |                  |
| Debt Service                     | 550              | 31               |
| Permanent Fund Non-expendable    | 1,862            | 1,862            |
| Fire District                    | 93,594           | 117,451          |
| Other Purposes                   | 62,136           | 82,209           |
| Unrestricted                     | <u>199,253</u>   | <u>164,399</u>   |
| Total Net Assets                 | <u>\$357,397</u> | <u>\$365,954</u> |

Table 2 reflects the changes in net assets in 2005 and 2004 respectively. The Township did not prepare financial statements in this format for 2003. Unrestricted net assets decreased due to the purchase of a fire truck and dump truck.

**REILY TOWNSHIP, BUTLER COUNTY**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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

|  | Governmental<br>Activities<br>2005 | Governmental<br>Activities<br>2004 |
|--|------------------------------------|------------------------------------|
| Receipts:  |                                    |                                    |
| Program Receipts:  |                                    |                                    |
| Charges for Services and Sales                                 | \$8,421                            | \$7,775                            |
| Operating Grants and Contributions                             | 135,621                            | 201,040                            |
| Capital Grants and Contributions                               | 7,470                              | 2,296                              |
| Total Program Receipts   | <u>151,512</u>                     | <u>211,111</u>                     |
| General Receipts:  |                                    |                                    |
| Property and Other Local Taxes                                 | 342,656                            | 325,053                            |
| Grants and Entitlements Not Restricted<br>to Specific Programs | 121,395                            | 113,829                            |
| Interest   | 3,522                              | 2,982                              |
| Miscellaneous  | 16,060                             | 13,505                             |
| Total General Receipts   | <u>483,633</u>                     | <u>455,369</u>                     |
| Total Receipts   | <u>635,145</u>                     | <u>666,480</u>                     |
| Disbursements:   |                                    |                                    |
| General Government   | 105,305                            | 114,133                            |
| Public Safety  | 76,790                             | 66,315                             |
| Health   | 8,728                              | 5,584                              |
| Public Works   | 251,084                            | 313,120                            |
| Capital Outlay   | 169,463                            | 17,395                             |
| Principal Retirement   | 31,000                             | 31,000                             |
| Interest and Fiscal Charges                                    | 1,331                              | 2,382                              |
| Total Disbursements  | <u>643,702</u>                     | <u>549,930</u>                     |
| Increase (Decrease) in Net Assets                              | (8,557)                            | 116,550                            |
| Net Assets, January 1, 2004                                    | 365,954                            | 249,404                            |
| Net Assets, December 31, 2004                                  | <u>\$357,397</u>                   | <u>\$365,954</u>                   |

Program receipts represent only 23.8 and 31.7 percent of total receipts for 2005 and 2004 respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 76.2 and 68.3 percent of the Township's total receipts for 2005 and 2004 respectively. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of internal services such as payroll and purchasing.

**REILY TOWNSHIP, BUTLER COUNTY**  
 Management's Discussion and Analysis  
 For the Years Ended December 31, 2005 and 2004  
 Unaudited

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

Public Safety are the costs of police and fire protection; Health is the health department;; the economic development department promotes the Township to industry and commerce as well as working with other governments in the area to attract new business; and the cost of maintaining the roads is included in the Public Works. Public Works expenditures decreased by 19.8% due to less projects undertaken.

Capital Outlay increased 874% due to the purchase of a dump truck and fire truck.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2005 are for general government and public works, which account for 16.4 and 39.0 percent of all governmental disbursements, respectively. Public Safety also represents a significant cost, about 12 percent.

The major program disbursements for governmental activities in 2004 are for general government and public works, which account for 20.8 and 60.0 percent of all governmental disbursements, respectively. Public Safety also represents a significant cost, about 12 percent.

The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Governmental Activities**

|                             | Total Cost<br>Of Services<br>2005 | Net Cost<br>of Services<br>2005 | Total Cost<br>Of Services<br>2004 | Net Cost<br>of Services<br>2004 |
|-----------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| General Government          | \$105,305                         | \$105,305                       | \$114,133                         | 114,133                         |
| Public Safety               | 76,790                            | 48,635                          | 66,316                            | 34,398                          |
| Health                      | 8,728                             | 4,032                           | 5,584                             | 1,594                           |
| Conservation - Recreation   | 0                                 | (3,725)                         | 0                                 | (3,785)                         |
| Public Works                | 251,084                           | 136,149                         | 313,120                           | 141,702                         |
| Capital Outlay              | 169,463                           | 169,463                         | 17,395                            | 17,395                          |
| Principal Retirement        | 31,000                            | 31,000                          | 31,000                            | 31,000                          |
| Interest and Fiscal Charges | 1,331                             | 1,331                           | 2,382                             | 2,382                           |
| <b>Total Expenses</b>       | <b>\$643,702</b>                  | <b>\$492,190</b>                | <b>\$549,930</b>                  | <b>\$338,819</b>                |

The dependence upon property tax receipts by the Township is apparent as over 53.2 and 59.2 percent of governmental activities in 2005 and 2004 respectively, are supported through these general receipts.

**REILY TOWNSHIP, BUTLER COUNTY**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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**The Government's Funds**

Total governmental funds had receipts of \$635,145 and \$666,480 for 2005 and 2004 respectively, and disbursements of \$643,702 and \$549,930 for 2005 and 2004 respectively. The greatest change within governmental funds in 2005 occurred within the Road & Bridge Fund and the Fire Fund. The fund balance of the Road & Bridge Fund decreased \$13,513 as the result of the purchase of a dump truck. The fund balance of the Fire fund decreased \$23,857 as the result of the purchase of a new fire truck. The Gasoline Tax Fund had no significant changes.

**Debt Administration**

At December 31, 2005 and 2004, the Township's outstanding debt was \$31,000 and \$62,000 respectively. This debt was incurred for a fire truck purchased in November 2003.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. The Local Government Fund, which is scheduled to be eliminated, provides 42.7 percent of our General Fund budget. The Township spends between \$120,000 and \$150,000 each year for paving, and the Board has said that they will need to cut back on paving by 60 to 70 percent should the Local Government Fund be discontinued.

**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 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 Sue Breen, Fiscal Officer, Reily Township, Butler County, 6937 Imhoff Road, Oxford, Ohio 45056.

**REILY TOWNSHIP, BUTLER COUNTY**

*Statement of Net Assets - Cash Basis*

*December 31, 2005*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | \$ 357,397                         |
| <i>Total Assets</i>                        | <u><u>\$ 357,397</u></u>           |
| <br>                                       |                                    |
| <b>Net Assets</b>                          |                                    |
| Restricted for:                            |                                    |
| Debt Service                               | \$ 550                             |
| Permanent Fund                             | 1,862                              |
| Fire District                              | 93,593                             |
| Other Purposes                             | 63,215                             |
| Unrestricted                               | 198,177                            |
| <i>Total Net Assets</i>                    | <u><u>\$ 357,397</u></u>           |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2005*

|   | Program Cash Receipts |                                      |  | Net (Disbursements) Receipts<br>and Changes in Net Assets |                            |
|---|-----------------------|--------------------------------------|--|---|----------------------------|
|   | Cash<br>Disbursements | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions                    | Governmental<br>Activities |
| <b>Governmental Activities</b>                              |                       |                                      |  |   |                            |
| General Government  | \$ 105,305            | \$ -                                 | \$ -                                     | \$ -  | \$ (105,305)               |
| Public Safety   | 76,790                | -                                    | 28,155                                   | -   | (48,635)                   |
| Public Works  | 251,085               | -                                    | 107,466                                  | 7,470   | (136,149)                  |
| Health  | 8,728                 | 4,696                                | -  | -   | (4,032)                    |
| Conservation-Recreation                                     | -                     | 3,725                                | -  | -   | 3,725                      |
| Capital Outlay  | 169,463               | -                                    | -  | -   | (169,463)                  |
| Debt Service:   |                       |                                      |  |   |                            |
| Principal   | 31,000                | -                                    | -  | -   | (31,000)                   |
| Interest  | 1,331                 | -                                    | -  | -   | (1,331)                    |
| <i>Total Governmental Activities</i>                        | <u>\$ 643,702</u>     | <u>\$8,421</u>                       | <u>\$ 135,621</u>                        | <u>\$ 7,470</u>   | <u>(492,190)</u>           |
| <b>General Receipts</b>                                     |                       |                                      |  |   |                            |
| Property Taxes  |                       |                                      |  |   | 342,656                    |
| Grants and Entitlements not Restricted to Specific Programs |                       |                                      |  |   | 121,395                    |
| Earnings on Investments                                     |                       |                                      |  |   | 3,522                      |
| Miscellaneous   |                       |                                      |  |   | 16,060                     |
| <i>Total General Receipts</i>                               |                       |                                      |  |   | <u>483,633</u>             |
| Change in Net Assets  |                       |                                      |  |   | (8,557)                    |
| <i>Net Assets Beginning of Year</i>                         |                       |                                      |  |   | <u>365,954</u>             |
| <i>Net Assets End of Year</i>                               |                       |                                      |  |   | <u><u>\$ 357,397</u></u>   |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER COUNTY**  
*Statement of Modified Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

|  | GENERAL           | GASOLINE<br>TAX  | ROAD<br>AND<br>BRIDGE | FIRE<br>DISTRICT | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|-------------------|------------------|-----------------------|------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                   |                  |                       |                  |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$ 198,177        | \$ 30,614        | \$ 11,513             | \$ 93,594        | \$ 23,499                      | \$ 357,397                     |
| <i>Total Assets</i>                        | <u>198,177</u>    | <u>30,614</u>    | <u>11,513</u>         | <u>93,594</u>    | <u>23,499</u>                  | <u>357,397</u>                 |
| <b>Fund Balances</b>                       |                   |                  |                       |                  |                                |                                |
| Unreserved:                                |                   |                  |                       |                  |                                |                                |
| Undesignated (Deficit), Reported in:       |                   |                  |                       |                  |                                |                                |
| General Fund                               | 198,177           | -                | -                     | -                | -                              | 198,177                        |
| Special Revenue Funds                      | -                 | 30,614           | 11,513                | 93,594           | 21,087                         | 156,807                        |
| Debt Service Fund                          | -                 | -                | -                     | -                | 550                            | 550                            |
| Permanent Fund                             | -                 | -                | -                     | -                | 1,862                          | 1,862                          |
| <i>Total Fund Balances</i>                 | <u>\$ 198,177</u> | <u>\$ 30,614</u> | <u>\$ 11,513</u>      | <u>\$ 93,594</u> | <u>\$ 23,499</u>               | <u>\$ 357,397</u>              |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*

*Governmental Funds*

*For the Year Ended December 31, 2005*

|   | GENERAL           | GASOLINE<br>TAX  | ROAD<br>AND<br>BRIDGE | FIRE<br>DISTRICT | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL             |
|---|-------------------|------------------|-----------------------|------------------|--------------------------------|-------------------|
| <b>Receipts</b>                               |                   |                  |                       |                  |                                |                   |
| Property and Other Local Taxes                | \$ 86,579         | \$ -             | \$ 91,618             | \$ 126,585       | \$ 37,874                      | \$ 342,656        |
| Licenses, Permits and Fees                    | 15                | -                | -                     | -                | 3,681                          | 3,696             |
| Intergovernmental                             | 121,395           | 76,688           | 12,901                | 28,155           | 25,347                         | 264,486           |
| Earnings on Investments                       | 3,131             | 227              | -                     | -                | 164                            | 3,522             |
| Miscellaneous                                 | 12,454            | -                | 797                   | 6,450            | 1,000                          | 20,701            |
| <b>Total Receipts</b>                         | <b>223,574</b>    | <b>76,915</b>    | <b>105,316</b>        | <b>161,190</b>   | <b>68,066</b>                  | <b>635,061</b>    |
| <b>Disbursements</b>                          |                   |                  |                       |                  |                                |                   |
| Current:                                      |                   |                  |                       |                  |                                |                   |
| General Government                            | 101,299           | -                | 1,462                 | 2,544            | -                              | 105,305           |
| Public Safety                                 | 1,300             | -                | -                     | 75,490           | -                              | 76,790            |
| Public Works                                  | 56,015            | 72,095           | 98,683                | -                | 24,292                         | 251,085           |
| Health  | 1,266             | -                | -                     | -                | 7,462                          | 8,728             |
| Capital Outlay                                | 30,000            | -                | 18,684                | 107,013          | 13,766                         | 169,463           |
| Debt Service:                                 |                   |                  |                       |                  |                                |                   |
| Principal Retirement                          | -                 | -                | -                     | -                | 31,000                         | 31,000            |
| Interest and Fiscal Charges                   | -                 | -                | -                     | -                | 1,331                          | 1,331             |
| <b>Total Disbursements</b>                    | <b>189,880</b>    | <b>72,095</b>    | <b>118,829</b>        | <b>185,047</b>   | <b>77,851</b>                  | <b>643,702</b>    |
| Excess of Receipts Over (Under) Disbursements | 33,694            | 4,820            | (13,513)              | (23,857)         | (9,785)                        | (8,641)           |
| Other Financing Sources                       | 84                | -                | -                     | -                | -                              | 84                |
| <b>Total Other Financing Sources</b>          | <b>84</b>         | <b>-</b>         | <b>-</b>              | <b>-</b>         | <b>-</b>                       | <b>84</b>         |
| Net Change in Fund Balances                   | 33,778            | 4,820            | (13,513)              | (23,857)         | (9,785)                        | (8,557)           |
| Fund Balances Beginning of Year               | 164,399           | 25,794           | 25,026                | 117,451          | 33,284                         | 365,954           |
| <b>Fund Balances End of Year</b>              | <b>\$ 198,177</b> | <b>\$ 30,614</b> | <b>\$ 11,513</b>      | <b>\$ 93,594</b> | <b>\$ 23,499</b>               | <b>\$ 357,397</b> |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER 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> |                  |                   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|------------------|-------------------|---|
|  | <u>Original</u>         | <u>Final</u>     | <u>Actual</u>     |   |
| <b>Receipts</b>                                      |                         |                  |                   |   |
| Property and Other Local Taxes                       | \$ 95,900               | \$ 85,100        | \$ 86,579         | \$ 1,479  |
| Licenses, Permits and Fees                           | -                       | -                | 15                | 15  |
| Intergovernmental                                    | 93,047                  | 124,018          | 121,395           | (2,623)   |
| Earnings on Investments                              | 2,000                   | 2,000            | 3,131             | 1,131   |
| Miscellaneous  | 914                     | 914              | 12,454            | 11,540  |
| <i>Total Receipts</i>                                | <u>191,861</u>          | <u>212,032</u>   | <u>223,574</u>    | <u>11,542</u>   |
| <b>Disbursements</b>                                 |                         |                  |                   |   |
| Current:   |                         |                  |                   |   |
| General Government                                   | 167,460                 | 187,631          | 101,299           | 86,332  |
| Public Safety  | 23,000                  | 23,000           | 1,300             | 21,700  |
| Public Works   | 126,800                 | 126,800          | 56,015            | 70,785  |
| Health   | 6,500                   | 6,500            | 1,266             | 5,234   |
| Capital Outlay                                       | 32,000                  | 32,000           | 30,000            | 2,000   |
| <i>Total Disbursements</i>                           | <u>355,760</u>          | <u>375,931</u>   | <u>189,880</u>    | <u>186,051</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(163,899)</u>        | <u>(163,899)</u> | <u>33,694</u>     | <u>197,592</u>  |
| <b>Other Financing Sources (Uses)</b>                |                         |                  |                   |   |
| Advances Out   | (500)                   | -                | -                 | -   |
| Other Financing Sources                              | -                       | -                | 84                | 84  |
| Other Financing Uses                                 | -                       | (500)            | -                 | 500   |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(500)</u>            | <u>(500)</u>     | <u>84</u>         | <u>584</u>  |
| <i>Net Change in Fund Balance</i>                    | (164,399)               | (164,399)        | 33,778            | 198,177   |
| <i>Fund Balance Beginning of Year</i>                | 164,399                 | 164,399          | 164,399           | -   |
| <i>Fund Balance End of Year</i>                      | <u>\$ 0</u>             | <u>\$ 0</u>      | <u>\$ 198,177</u> | <u>\$ 198,177</u>                                       |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER 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*

|  | Budgeted Amounts |                 |                  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|-----------------|------------------|---|
|  | Original         | Final           | Actual           |   |
| <b>Receipts</b>                                      |                  |                 |                  |   |
| Intergovernmental                                    | \$ 48,000        | \$ 67,392       | \$ 76,688        | \$ 9,296  |
| Earnings on Investments                              | 100              | 100             | 227              | 127   |
| <i>Total Receipts</i>                                | <u>48,100</u>    | <u>67,492</u>   | <u>76,915</u>    | <u>9,423</u>  |
| <b>Disbursements</b>                                 |                  |                 |                  |   |
| Current:   |                  |                 |                  |   |
| Public Works   | 73,894           | 93,286          | 72,095           | 21,191  |
| <i>Total Disbursements</i>                           | <u>73,894</u>    | <u>93,286</u>   | <u>72,095</u>    | <u>21,191</u>   |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(25,794)</u>  | <u>(25,794)</u> | <u>4,820</u>     | <u>30,614</u>   |
| <i>Net Change in Fund Balance</i>                    | (25,794)         | (25,794)        | 4,820            | 30,614  |
| <i>Fund Balance Beginning of Year</i>                | <u>25,794</u>    | <u>25,794</u>   | <u>25,794</u>    | <u>0</u>  |
| <i>Fund Balance End of Year</i>                      | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ 30,614</u> | <u>\$ 30,614</u>  |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER 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> |                 |                  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------------|-----------------|------------------|---|
|   | <u>Original</u>         | <u>Final</u>    | <u>Actual</u>    |   |
| <b>Receipts</b>                                 |                         |                 |                  |   |
| Property and Other Local Taxes                  | \$ 88,500               | \$ 88,500       | \$ 91,618        | \$ 3,118  |
| Intergovernmental                               | 11,000                  | 11,000          | 12,901           | 1,901   |
| Miscellaneous                                   | -                       | -               | 797              | 797   |
| <i>Total Receipts</i>                           | <u>99,500</u>           | <u>99,500</u>   | <u>105,316</u>   | <u>5,816</u>  |
| <b>Disbursements</b>                            |                         |                 |                  |   |
| Current:  |                         |                 |                  |   |
| General Government                              | 2,000                   | 2,000           | 1,462            | 538   |
| Public Works                                    | 103,525                 | 103,525         | 98,684           | 4,842   |
| Capital Outlay                                  | 19,000                  | 19,000          | 18,684           | 316   |
| <i>Total Disbursements</i>                      | <u>124,525</u>          | <u>124,525</u>  | <u>118,829</u>   | <u>5,696</u>  |
| <i>Excess of Receipts (Under) Disbursements</i> | <u>(25,025)</u>         | <u>(25,025)</u> | <u>(13,513)</u>  | <u>11,512</u>   |
| <i>Net Change in Fund Balance</i>               | (25,025)                | (25,025)        | (13,513)         | 11,512  |
| <i>Fund Balance Beginning of Year</i>           | 23,557                  | 23,557          | 23,557           | -   |
| Prior Year Encumbrances Appropriated            | <u>1,469</u>            | <u>1,469</u>    | <u>1,469</u>     | <u>-</u>  |
| <i>Fund Balance End of Year</i>                 | <u>\$ 1</u>             | <u>\$ 1</u>     | <u>\$ 11,513</u> | <u>\$ 11,512</u>  |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER 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*

|  | Budgeted Amounts |                  |                  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------|---|
|  | Original         | Final            | Actual           |   |
| <b>Receipts</b>                                      |                  |                  |                  |   |
| Property and Other Local Taxes                       | \$ 125,102       | \$ 125,102       | \$ 126,585       | \$ 1,483  |
| Intergovernmental                                    | 11,898           | 25,003           | 28,155           | 3,152   |
| Miscellaneous  | 5,900            | 5,900            | 6,450            | 550   |
| <i>Total Receipts</i>                                | <u>142,900</u>   | <u>156,005</u>   | <u>161,190</u>   | <u>5,185</u>  |
| <b>Disbursements</b>                                 |                  |                  |                  |   |
| Current:   |                  |                  |                  |   |
| General Government                                   | 4,000            | 4,000            | 2,544            | 1,456   |
| Public Safety  | 145,350          | 158,455          | 75,490           | 82,965  |
| Capital Outlay                                       | 111,000          | 111,000          | 107,013          | 3,987   |
| <i>Total Disbursements</i>                           | <u>260,350</u>   | <u>273,455</u>   | <u>185,047</u>   | <u>88,408</u>   |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(117,450)</u> | <u>(117,450)</u> | <u>(23,857)</u>  | <u>93,593</u>   |
| <i>Net Change in Fund Balance</i>                    | (117,450)        | (117,450)        | (23,857)         | 93,593  |
| <i>Fund Balance Beginning of Year</i>                | <u>117,451</u>   | <u>117,451</u>   | <u>117,451</u>   | <u>-</u>  |
| <i>Fund Balance End of Year</i>                      | <u>\$ 1</u>      | <u>\$ 1</u>      | <u>\$ 93,594</u> | <u>\$ 93,593</u>  |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER COUNTY**

*Statement of Net Assets - Cash Basis*

*December 31, 2004*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | \$ 365,954                         |
| <i>Total Assets</i>                        | <u><u>\$ 365,954</u></u>           |
| <br>                                       |                                    |
| <b>Net Assets</b>                          |                                    |
| Restricted for:                            |                                    |
| Debt Service                               | \$ 31                              |
| Permanent Fund                             | 1,862                              |
| Fire District                              | 117,452                            |
| Other Purposes                             | 82,210                             |
| Unrestricted                               | 164,399                            |
| <i>Total Net Assets</i>                    | <u><u>\$ 365,954</u></u>           |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER COUNTY**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2004

|   | Program Cash Receipts |                                      |  | Net (Disbursements) Receipts and Changes in Net Assets |                            |
|---|-----------------------|--------------------------------------|--|--|----------------------------|
|   | Cash<br>Disbursements | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants &<br>Contributions                   | Governmental<br>Activities |
| <b>Governmental Activities</b>                              |                       |                                      |  |  |                            |
| General Government  | \$ 114,133            | \$ -                                 | \$ -                                     | \$ -   | (114,133)                  |
| Public Safety   | 66,316                | -                                    | 31,918                                   | -  | (34,398)                   |
| Public Works  | 313,120               | -                                    | 169,122                                  | 2,296  | (141,702)                  |
| Health  | 5,584                 | 3,990                                | -  | -  | (1,594)                    |
| Conservation-Recreation                                     | -                     | 3,785                                | -  | -  | 3,785                      |
| Capital Outlay  | 17,395                | -                                    | -  | -  | (17,395)                   |
| Debt Service:   |                       |                                      |  |  |                            |
| Principal   | 31,000                | -                                    | -  | -  | (31,000)                   |
| Interest  | 2,382                 | -                                    | -  | -  | (2,382)                    |
| <i>Total Governmental Activities</i>                        | <u>\$ 549,930</u>     | <u>\$ 7,775</u>                      | <u>\$ 201,040</u>                        | <u>\$ 2,296</u>  | <u>(338,819)</u>           |
| <b>General Receipts</b>                                     |                       |                                      |  |  |                            |
| Property Taxes  |                       |                                      |  |  | 325,053                    |
| Grants and Entitlements not Restricted to Specific Programs |                       |                                      |  |  | 113,829                    |
| Earnings on Investments                                     |                       |                                      |  |  | 2,982                      |
| Miscellaneous   |                       |                                      |  |  | 13,505                     |
| <i>Total General Receipts</i>                               |                       |                                      |  |  | <u>455,369</u>             |
| Change in Net Assets  |                       |                                      |  |  | 116,550                    |
| <i>Net Assets Beginning of Year</i>                         |                       |                                      |  |  | <u>249,404</u>             |
| <i>Net Assets End of Year</i>                               |                       |                                      |  |  | <u><u>\$ 365,954</u></u>   |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER COUNTY**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2004*

|  | General           | Gasoline<br>Tax  | Road<br>and<br>Bridge | Fire<br>District | Misc<br>Grants  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|------------------|-----------------------|------------------|-----------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                   |                  |                       |                  |                 |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$164,399         | \$25,794         | \$25,026              | \$117,451        | \$2,296         | \$30,988                       | \$365,954                      |
| <i>Total Assets</i>                        | <u>\$164,399</u>  | <u>\$25,794</u>  | <u>\$25,026</u>       | <u>\$117,451</u> | <u>\$2,296</u>  | <u>\$30,988</u>                | <u>\$365,954</u>               |
| <b>Fund Balances</b>                       |                   |                  |                       |                  |                 |                                |                                |
| Reserved for Encumbrances                  |                   |                  | \$ 1,469              |                  |                 |                                | \$1,469                        |
| Unreserved:                                |                   |                  |                       |                  |                 |                                |                                |
| Undesignated (Deficit), Reported in:       |                   |                  |                       |                  |                 |                                |                                |
| General Fund                               | \$ 164,399        |                  |                       |                  |                 |                                | 164,399                        |
| Special Revenue Funds                      | -                 | \$ 25,794        | 23,557                | \$117,451        | \$ 2,296        | \$ 29,095                      | 198,193                        |
| Debt Service Fund                          | -                 | -                | -                     | -                |                 | 31                             | 31                             |
| Permanent Fund                             | -                 | -                | -                     | -                |                 | 1,862                          | 1,862                          |
| <i>Total Fund Balances</i>                 | <u>\$ 164,399</u> | <u>\$ 25,794</u> | <u>\$ 25,026</u>      | <u>\$117,451</u> | <u>\$ 2,296</u> | <u>\$ 30,988</u>               | <u>\$ 365,954</u>              |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*

*Governmental Funds*

*For the Year Ended December 31, 2004*

|   | General        | Gasonline<br>Tax | Road<br>and<br>Bridge | Fire<br>District | Misc<br>Grants | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------|------------------|-----------------------|------------------|----------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                               |                |                  |                       |                  |                |                                |                                |
| Property and Other Local Taxes                | \$ 81,912      | \$ -             | \$ 86,679             | \$119,090        | \$ -           | \$ 37,372                      | \$ 325,053                     |
| Licenses, Permits and Fees                    | -              | -                | -                     | -                | -              | 2,190                          | 2,190                          |
| Intergovernmental                             | 113,829        | 67,226           | 12,254                | 31,918           | 74,042         | 17,897                         | 317,166                        |
| Earnings on Investments                       | 2,713          | 115              | -                     | -                | -              | 154                            | 2,982                          |
| Miscellaneous                                 | 7,406          | -                | -                     | 9,875            | -              | 1,800                          | 19,081                         |
| <b>Total Receipts</b>                         | <b>205,860</b> | <b>67,341</b>    | <b>98,933</b>         | <b>160,883</b>   | <b>74,042</b>  | <b>59,413</b>                  | <b>666,472</b>                 |
| <b>Disbursements</b>                          |                |                  |                       |                  |                |                                |                                |
| Current:                                      |                |                  |                       |                  |                |                                |                                |
| General Government                            | 110,337        | -                | 1,381                 | 2,415            | -              | -                              | 114,133                        |
| Public Safety                                 | 630            | -                | -                     | 65,686           | -              | -                              | 66,316                         |
| Public Works                                  | 98,128         | 48,126           | 76,832                | -                | 71,746         | 18,288                         | 313,120                        |
| Health  | 1,291          | -                | -                     | -                | -              | 4,293                          | 5,584                          |
| Capital Outlay                                | -              | -                | 2,891                 | 12,561           | 1,943          | -                              | 17,395                         |
| Debt Service:                                 |                |                  |                       |                  |                |                                |                                |
| Principal Retirement                          | -              | -                | -                     | -                | -              | 31,000                         | 31,000                         |
| Interest and Fiscal Charges                   | -              | -                | -                     | -                | -              | 2,382                          | 2,382                          |
| <b>Total Disbursements</b>                    | <b>210,386</b> | <b>48,126</b>    | <b>81,104</b>         | <b>80,662</b>    | <b>73,689</b>  | <b>55,963</b>                  | <b>549,930</b>                 |
| Excess of Receipts Over (Under) Disbursements | (4,526)        | 19,215           | 17,829                | 80,221           | 353            | 3,450                          | 116,542                        |
| Other Financing Sources                       |                |                  |                       |                  |                |                                |                                |
| Other Financing Sources                       | 8              | -                | -                     | -                | -              | -                              | 8                              |
| <b>Total Other Financing Sources</b>          | <b>8</b>       | <b>-</b>         | <b>-</b>              | <b>-</b>         | <b>-</b>       | <b>-</b>                       | <b>8</b>                       |
| Net Change in Fund Balances                   | (4,518)        | 19,215           | 17,829                | 80,221           | 353            | 3,450                          | 116,550                        |
| Fund Balances Beginning of Year               | 168,917        | 6,579            | 7,197                 | 37,230           | 1,943          | 27,538                         | 249,404                        |
| Fund Balances End of Year                     | \$ 164,399     | \$ 25,794        | \$ 25,026             | \$117,451        | \$2,296        | \$ 30,988                      | \$ 365,954                     |

See accompanying notes to the basic financial statements

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**REILY TOWNSHIP, BUTLER COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2004*

|   | Budgeted Amounts |           | Actual     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|-----------|------------|---|
|   | Original         | Final     |            |   |
| <b>Receipts</b>                                 |                  |           |            |   |
| Property and Other Local Taxes                  | \$ 76,100        | \$ 76,100 | \$ 81,912  | \$ 5,812  |
| Licenses, Permits and Fees                      | 2,000            | 2,000     | -          | (2,000)   |
| Intergovernmental                               | 97,646           | 97,646    | 113,829    | 16,183  |
| Earnings on Investments                         | 2,000            | 2,000     | 2,713      | 713   |
| Miscellaneous                                   | 3,315            | 3,315     | 7,406      | 4,091   |
| <i>Total Receipts</i>                           | 181,061          | 181,061   | 205,860    | 24,799  |
| <b>Disbursements</b>                            |                  |           |            |   |
| Current:  |                  |           |            |   |
| General Government                              | 152,873          | 156,437   | 110,337    | 46,100  |
| Public Safety                                   | 23,000           | 23,000    | 630        | 22,370  |
| Public Works                                    | 130,800          | 126,800   | 98,128     | 28,672  |
| Health  | 6,000            | 6,437     | 1,291      | 5,146   |
| Capital Outlay                                  | 32,000           | 32,000    | -          | 32,000  |
| <i>Total Disbursements</i>                      | 344,673          | 344,674   | 210,386    | 134,288   |
| <i>Excess of Receipts (Under) Disbursements</i> | (163,612)        | (163,613) | (4,526)    | 159,087   |
| <b>Other Financing Sources (Uses)</b>           |                  |           |            |   |
| Other Financing Sources                         | 1,400            | 1,400     | 8          | (1,392)   |
| Other Financing Uses                            | (500)            | (500)     | -          | 500   |
| <i>Total Other Financing Sources (Uses)</i>     | 900              | 900       | 8          | (892)   |
| <i>Net Change in Fund Balance</i>               | (162,712)        | (162,713) | (4,518)    | 158,195   |
| <i>Fund Balance Beginning of Year</i>           | 168,917          | 168,917   | 168,917    | -   |
| <i>Fund Balance End of Year</i>                 | \$ 6,205         | \$ 6,204  | \$ 164,399 | \$ 158,195  |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Gasoline Tax Fund*  
*For the Year Ended December 31, 2004*

|  | Budgeted Amounts |           | Actual    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|-----------|-----------|---|
|  | Original         | Final     |           |   |
| <b>Receipts</b>                                      |                  |           |           |   |
| Intergovernmental                                    | \$ 48,000        | \$ 48,000 | \$ 67,226 | \$ 19,226   |
| Earnings on Investments                              | 100              | 100       | 115       | 15  |
| <i>Total Receipts</i>                                | 48,100           | 48,100    | 67,341    | 19,241  |
| <b>Disbursements</b>                                 |                  |           |           |   |
| Current:   |                  |           |           |   |
| Public Works   | 54,679           | 54,679    | 48,126    | 6,553   |
| <i>Total Disbursements</i>                           | 54,679           | 54,679    | 48,126    | 6,553   |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (6,579)          | (6,579)   | 19,215    | 25,794  |
| <i>Net Change in Fund Balance</i>                    | (6,579)          | (6,579)   | 19,215    | 25,794  |
| <i>Fund Balance Beginning of Year</i>                | 6,579            | 6,579     | 6,579     | -   |
| <i>Fund Balance End of Year</i>                      | \$ -             | \$ -      | \$ 25,794 | \$ 25,794   |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Road and Bridge Fund*  
*For the Year Ended December 31, 2004*

|  | Budgeted Amounts |           | Actual    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|-----------|-----------|---|
|  | Original         | Final     |           |   |
| <b>Receipts</b>                              |                  |           |           |   |
| Property and Other Local Taxes               | \$ 90,322        | \$ 90,322 | \$ 86,679 | \$ (3,643)  |
| Intergovernmental                            | 9,500            | 9,500     | 12,254    | 2,754   |
| <i>Total Receipts</i>                        | 99,822           | 99,822    | 98,933    | (889)   |
| <b>Disbursements</b>                         |                  |           |           |   |
| Current:                                     |                  |           |           |   |
| General Government                           | -                | 1,971     | 1,381     | 590   |
| Public Works                                 | 84,322           | 94,894    | 76,832    | 18,062  |
| Capital Outlay                               | 15,500           | 2,957     | 2,891     | 66  |
| <i>Total Disbursements</i>                   | 99,822           | 99,822    | 81,104    | 18,718  |
| <i>Excess of Receipts Over Disbursements</i> | -                | -         | 17,829    | 17,829  |
| <i>Net Change in Fund Balance</i>            | -                | -         | 17,829    | 17,829  |
| <i>Fund Balance Beginning of Year</i>        | 7,197            | 7,197     | 7,197     | -   |
| <i>Fund Balance End of Year</i>              | \$ 7,197         | \$ 7,197  | \$ 25,026 | \$ 17,829   |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Fire District Fund*  
*For the Year Ended December 31, 2004*

|  | Budgeted Amounts |            | Actual     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------|------------|---|
|  | Original         | Final      |            |   |
| <b>Receipts</b>                                      |                  |            |            |   |
| Property and Other Local Taxes                       | \$ 162,840       | \$ 162,840 | \$ 119,090 | \$ (43,750)   |
| Intergovernmental                                    | 13,000           | 13,000     | 31,918     | 18,918  |
| Miscellaneous  | 5,900            | 5,900      | 9,875      | 3,975   |
| <i>Total Receipts</i>                                | 181,740          | 181,740    | 160,883    | (20,857)  |
| <b>Disbursements</b>                                 |                  |            |            |   |
| Current:   |                  |            |            |   |
| General Government                                   | -                | 3,448      | 2,415      | 1,033   |
| Public Safety  | 140,740          | 137,292    | 65,686     | 71,606  |
| Capital Outlay                                       | 41,000           | 41,000     | 12,561     | 28,439  |
| <i>Total Disbursements</i>                           | 181,740          | 181,740    | 80,662     | 101,078   |
| <i>Excess of Receipts Over (Under) Disbursements</i> | -                | -          | 80,221     | 80,221  |
| <i>Net Change in Fund Balance</i>                    | -                | -          | 80,221     | 80,221  |
| <i>Fund Balance Beginning of Year</i>                | 37,230           | 37,230     | 37,230     | -   |
| <i>Fund Balance End of Year</i>                      | \$ 37,230        | \$ 37,230  | \$ 117,451 | \$ 80,221   |

See accompanying notes to the basic financial statements

**REILY TOWNSHIP, BUTLER COUNTY**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Miscellaneous Grants  
 For the Year Ended December 31, 2004*

|                                      | <u>Budgeted Amounts</u> |              | <u>Actual</u>   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------|-------------------------|--------------|-----------------|---|
|                                      | <u>Original</u>         | <u>Final</u> |                 |   |
| <b>Receipts</b>                      |                         |              |                 |   |
| Intergovernmental                    | \$ -                    | \$ -         | \$ 74,042       | \$ 74,042   |
| <i>Total Receipts</i>                | <u>-</u>                | <u>-</u>     | <u>74,042</u>   | <u>74,042</u>   |
| <b>Disbursements</b>                 |                         |              |                 |   |
| Current:                             |                         |              |                 |   |
| Public Works                         | -                       | -            | 71,746          | (71,746)  |
| Capital Outlay                       | 1,943                   | 1,943        | 1,943           | -   |
| <i>Total Disbursements</i>           | <u>1,943</u>            | <u>1,943</u> | <u>73,689</u>   | <u>(71,746)</u>   |
| <i>Net Change in Fund Balance</i>    | (1,943)                 | (1,943)      | 353             | 2,296   |
| Prior Year Encumbrances Appropriated | <u>-</u>                | <u>-</u>     | <u>-</u>        | <u>-</u>  |
| <i>Fund Balance End of Year</i>      | <u>\$ -</u>             | <u>\$ -</u>  | <u>\$ 2,296</u> | <u>\$ 2,296</u>   |

See accompanying notes to the basic financial statements

Reily Township  
Butler County  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 1 – Reporting Entity**

Reily Township, Butler 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 Township Fiscal Officer. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, and volunteer Fire Department and Life Squad services. Police protection is provided by the Butler County Sheriff's Department.

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 2.C, 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. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

For the years ended 2005 and 2004, the Township has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments" format.

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, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

Reily Township  
Butler County  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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

The statement of net assets presents the cash balance, 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 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.

**B. Fund Accounting**

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

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gas Tax Fund, Road & Bridge Fund, and the Fire District Fund. In 2004, the Miscellaneous Grants Fund was also a major Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gas Tax and Road and Bridge Funds, which are Public Works funds, are available for upkeep and maintenance of roads and bridges. The Fire District Fund, a Public Safety Fund, is a 3 ½ mill levied tax for maintaining the volunteer fire protection and life squad services. The Miscellaneous Grants Fund is used to account for various grants in which the Township may receive.

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

**C. Basis of Accounting**

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

Reily Township  
Butler County  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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

Certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

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

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

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

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

**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".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

During 2005 and 2004, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposits are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$3,131 and 2004 was \$2,713.

Reily Township  
Butler County  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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

**F. 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.

**G. Capital Assets**

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

**H. Accumulated Leave**

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

**I. 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.

**J. 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 a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Township has no leases.

**K. 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. Net assets restricted for other purposes include resources restricted for maintaining roads and bridges, maintaining cemeteries, maintaining fire equipment and life squad services. All levied funds are restricted in their expenditures, in that they can only be used for the operations of the department in which they were voted.

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.

**L. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances in 2004.

Reily Township  
Butler County  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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

**M. 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. There were no transfers in 2005 or 2004.

**Note 3– Compliance**

The Township did not certify the availability for all commitments as required by Ohio Revised Code Section 5705.41(D).

The Township did not appropriate or record revenue and disbursements for a CDBG Grant as required by Ohio Revised Code Section 5705.41(B).

**Note 4– Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, gas tax fund, road and bridge fund, fire district fund, and miscellaneous grants fund for 2004 are 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 (are) 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)). The encumbrance outstanding as of December 31, 2004 was \$1,469 for the major Road and Bridge Fund.

**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.

Reily Township  
Butler County  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 5 – Deposits and Investments (Continued)**

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.

**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 2005, \$288,317 of the Township's bank balance of \$390,381 and at 2004, \$292,042 of the Township's bank balance of \$394,106 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pooling financial institution's trust department or agent, but not in the Township's name.

Reily Township  
Butler County  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 5 – Deposits and Investments**

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**

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 \$7.39 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:

|                               |              |
|-------------------------------|--------------|
| Real Property                 |              |
| Residential                   | \$43,403,200 |
| Agriculture                   | 11,117,600   |
| Commercial/Industrial/Mineral | 442,130      |
| Public Utility Property       |              |
| Real                          | 229,390      |
| Personal                      | 1,763,770    |
| Tangible Personal Property    | 421,215      |
| Total Assessed Value          | \$57,377,305 |

Reily Township  
Butler County  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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

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.

Reily Township  
Butler County  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 7 – Risk Management**

Financial Position

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

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

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

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$51,706.

**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.

Reily Township  
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Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 8 – Defined Benefit Pension Plan (Continued)**

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Contributions to the member-directed plan for 2005 were \$19,672 by the Township and \$12,340 made by the plan members; for 2004 were \$18,913 by the Township and \$11,964 by the plan members.

**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 benefit recipients and qualified survivor benefit 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 (16.7 percent for public safety and law enforcement); 4 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 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 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 376,109. Actual Township contributions for 2005 which were used to fund postemployment benefits were \$19,672. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

Reily Township  
Butler County  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 9 - Postemployment Benefits (Continued)**

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**Note 10 Debt**

The Township's long-term debt activity for the year ended December 31, 2005 and 2004, was as follows:

|                                | Interest<br>Rate | Balance<br>January 1,<br>2005 | Additions | Reductions | Balance<br>December 31,<br>2005 | Due Within<br>One Year |
|--------------------------------|------------------|-------------------------------|-----------|------------|---------------------------------|------------------------|
| <u>Governmental Activities</u> |                  |                               |           |            |                                 |                        |
| Loan                           |                  |                               |           |            |                                 |                        |
| 2004 Issue \$93,000            | 2.76             | \$62,000                      | \$0       | \$31,000   | \$31,000                        | \$31,000               |
| <br>                           |                  |                               |           |            |                                 |                        |
|                                | Interest<br>Rate | Balance<br>January 1,<br>2004 | Additions | Reductions | Balance<br>December 31,<br>2004 | Due Within<br>One Year |
| <u>Governmental Activities</u> |                  |                               |           |            |                                 |                        |
| Loan                           |                  |                               |           |            |                                 |                        |
| 2004 Issue \$93,000            | 2.76             | \$93,000                      | \$0       | \$31,000   | \$62,000                        | \$31,000               |

The Township obtained a \$93,000 loan in November 2003 for the purchase of a new fire truck. The loan will be repaid in semi-annual installments of \$15,500 with interest at a rate of 2.76%, over a three year period, maturing in November 2006. The loan is a direct obligation of the Township and pledge full faith and credit of the Township.

The following is a summary of the Township's future annual debt service requirements:

| Year | Loan      |          |
|------|-----------|----------|
|      | Principal | Interest |
| 2006 | \$31,000  | \$642    |

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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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*

Reily Township  
Butler County  
6937 Imhoff Road  
Oxford, Ohio 45056

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 Reily Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated December 7, 2006, wherein we noted the Township followed a comprehensive basis of accounting other than generally accepted accounting principles. 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 also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Township's management dated December 7, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions. Reily Township.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001 and 2005-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated December 7, 2006.

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



**Betty Montgomery**  
Auditor of State

December 7, 2006

REILY TOWNSHIP  
BUTLER COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 and 2004

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

FINDING NUMBER 2005-001

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41 (B)**, prohibits a subdivision from expending money unless it has been lawfully appropriated.

As further discussed in the Auditor of State Bulletin 2000-008, the Clerk shall record appropriations in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Revised Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk did not record the Community Development Block Grant (CDBG) disbursed on behalf of the Township under the Butler County Community Development Program, nor was this grant money included in the appropriations by the Board of Trustees for the fiscal year 2004. However, the receipts and disbursement for the fiscal year 2004 of \$71,746 have been recorded on the audited financial statements.

We recommend the Township record on behalf monies and amend appropriations in accordance with Auditor of State Bulletin 2000-008 and Ohio Rev. Code Section 5705.40.

FINDING NUMBER 2005-002

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**FINDING NUMBER 2005-002  
(Continued)**

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds for purchase commitments for 5 percent and 8 percent of expenditures tested, respectively, for 2005 and 2004 and none of the above exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

We also reported this matter in our management letter of the 2002 and 2003 financial statements.

**Officials’ Response**

We did not receive a response from Officials to the findings reported above.

**REILY TOWNSHIP  
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

| Finding Number | Finding Summary                                       | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2003-001       | ORC 5705.41 (B) Expenditures exceeding appropriations | No               | Not corrected – Repeated as Finding Number 2005-01   |





**Auditor of State  
Betty Montgomery**

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**REILY TOWNSHIP**

**BUTLER 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  
JANUARY 2, 2007**