



**Auditor of State  
Betty Montgomery**



**DARBY TOWNSHIP  
PICKAWAY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Darby Township  
Pickaway County  
P.O. Box 37  
Darby, Ohio 43117

To the Board of Trustees:

We have audited the accompanying financial statements of Darby Township, Pickaway County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting 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 combined fund cash balances of Darby Township, Pickaway County, Ohio, as of December 31, 2002, and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Darby Township  
Pickaway County  
Independent Accountants' Report  
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This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**BETTY MONTGOMERY**  
Auditor of State

June 4, 2003

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Local Taxes	\$54,259	\$175,703	\$0	\$229,962
Intergovernmental	76,936	83,634	171,367	331,937
Special Assessments	0	7,219	0	7,219
Licenses, Permits, and Fees	7,323	0	0	7,323
Earnings on Investments	1,592	386	553	2,531
Other Revenue	10,217	200	35,000	45,417
	150,327	267,142	206,920	624,389
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	99,368	0	0	99,368
Public Safety	0	96,877	0	96,877
Public Works	132	262,299	0	262,431
Health	10,145	0	0	10,145
Debt Service:				
Principal	9,669	10,000	0	19,669
Interest	2,020	1,538	0	3,558
Capital Outlay	0	37,955	171,367	209,322
	121,334	408,669	171,367	701,370
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	28,993	(141,527)	35,553	(76,981)
<b>Other Financing Receipts</b>				
Proceeds from Sale of Public Debt:				
Proceeds from Notes	0	37,955	0	37,955
	0	37,955	0	37,955
<b>Total Other Financing Receipts</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	28,993	(103,572)	35,553	(39,026)
Fund Cash Balances, January 1	94,061	233,271	38,200	365,532
<b>Fund Cash Balances, December 31</b>	<b>\$123,054</b>	<b>\$129,699</b>	<b>\$73,753</b>	<b>\$326,506</b>

*The notes to the financial statements are an integral part of this statement.*

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$56,376	\$259,683	\$0	\$316,059
Intergovernmental	54,884	75,139	22,125	152,148
Special Assessments	0	5,613	0	5,613
Licenses, Permits, and Fees	8,247	0	600	8,847
Earnings on Investments	5,174	739	0	5,913
Other Revenue	5,417	2,807	35,000	43,224
	<u>130,098</u>	<u>343,981</u>	<u>57,725</u>	<u>531,804</u>
<b>Total Cash Receipts</b>				
	130,098	343,981	57,725	531,804
<b>Cash Disbursements:</b>				
Current:				
General Government	109,707	0	0	109,707
Public Safety	0	190,324	0	190,324
Public Works	133	117,573	0	117,706
Health	10,075	15,116	0	25,191
Debt Service:				
Principal	19,083	0	0	19,083
Interest	4,125	0	0	4,125
Capital Outlay	0	0	22,125	22,125
	<u>143,123</u>	<u>323,013</u>	<u>22,125</u>	<u>488,261</u>
<b>Total Cash Disbursements</b>				
	143,123	323,013	22,125	488,261
Excess of Cash Receipts Over/(Under)				
Cash Disbursements	(13,025)	20,968	35,600	43,543
Fund Cash Balances, January 1	107,086	212,303	2,600	321,989
<b>Fund Cash Balances, December 31</b>	<u><u>\$94,061</u></u>	<u><u>\$233,271</u></u>	<u><u>\$38,200</u></u>	<u><u>\$365,532</u></u>

*The notes to the financial statements are an integral part of this statement.*



**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Darby Township, Pickaway County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts with Tri-County Fire Department for fire protection and Sterling Joint Ambulance for emergency medical services

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

**B. Basis of Accounting**

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

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

**2. Special Revenue Funds**

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

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*Road and Bridge Fund* - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

*Fire and Emergency Fund* - This fund receives property tax and homestead and rollback tax money to pay for fire protection of the Township.

*Emergency Medical Fund* - This fund receives property tax and homestead and rollback tax money to pay for emergency medical coverage within the Township.

**3. Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

*Carson Road Project Fund* - The Township received a grant from the Ohio Public Works Commission to make improvements to Carson Road.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2002	2001
Demand deposits	\$166,506	\$205,532
Certificates of deposit	160,000	160,000
Total deposits	\$326,506	\$365,532

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,080	\$150,327	\$54,247
Special Revenue	245,803	305,097	59,294
Capital Projects	206,367	206,920	553
Total	\$548,250	\$662,344	\$114,094

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$188,891	\$121,334	\$67,557
Special Revenue	479,071	408,669	70,402
Capital Projects	244,567	171,367	73,200
Total	\$912,529	\$701,370	\$211,159

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,500	\$130,098	(\$45,402)
Special Revenue	326,587	343,981	17,394
Capital Projects	246,125	57,725	(188,400)
Total	\$748,212	\$531,804	(\$216,408)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$199,156	\$143,123	\$56,033
Special Revenue	538,576	323,013	215,563
Capital Projects	211,125	22,125	189,000
Total	\$948,857	\$488,261	\$460,596

**4. PROPERTY TAX**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Equipment Note (Truck)-The Savings Bank	\$21,247	6.45%
Equipment Note (Backhoe)-The Savings Bank	37,954	4.25%
Total	\$59,201	

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT (Continued)**

The Equipment Note (Truck) relates to the purchase of a new IHC Truck for Township use. The Note was issued in June of 2000. The Note is repaid in annual installments of \$11,663 including interest, over four (4) years with two (2) years remaining at December 31, 2002. The loan is collateralized by general tax receipts.

The Equipment Note (Backhoe) relates to the purchase of a new Backhoe for Township use. The Note was issued in May of 2002 and the first payment is due October 30, 2003. This Note is to be repaid in annual installments of \$10,697 including interest, over four (4) years. The loan is collateralized by general tax receipts.

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

	Equipment Note Truck	Equipment Note Backhoe
Year ending December 31:		
2003	\$11,663	\$10,697
2004	11,663	10,697
2005		10,697
2006		10,697
Total	\$23,326	\$42,788

In addition to the debt described above, all outstanding debt incurred for the purchase of a tractor that was reported in the prior audit was retired in 2002.

**6. RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

**Risk Pool Membership**

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

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. RETIREMENT SYSTEM (Continued)**

**Risk Pool Membership (Continued)**

Casualty Coverage

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

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**7. SUBSEQUENT EVENTS**

On August 23, 2002, the Township was awarded judgment from the Cintha Bostwick Trust. The Township did not receive the funds until February, 2003. The proceeds are to be used to purchase the elementary school building at Darby, Ohio, and to make improvements to the building. In addition to the above uses, the trust can be used for recreation and community activities for the residents of Darby Township.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Darby Township  
Pickaway County  
P.O. Box 37  
Darby, Ohio 43117

To the Board of Trustees:

We have audited the accompanying financial statements of Darby Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated June 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 4, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 4, 2003.

Darby Township  
Pickaway County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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

**BETTY MONTGOMERY**  
Auditor of State

June 4, 2003



**Auditor of State  
Betty Montgomery**

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**DARBY TOWNSHIP**

**PICKAWAY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 30, 2003**