

**TROY TOWNSHIP
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008



Mary Taylor, CPA

Auditor of State

Board of Trustees
Troy Township
901 US 224
Nova, Ohio 44859

We have reviewed the *Report of Independent Accountants* of Troy Township, Ashland County, prepared by Knox & Knox, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 14, 2010

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**TROY TOWNSHIP
ASHLAND COUNTY**

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KNOX & KNOX

Accountants and Consultants

REPORT OF INDEPENDENT ACCOUNTANTS

Troy Township
Ashland County
901 US 224
Nova, Ohio 44859

To the Board of Trustees

We have audited the accompanying financial statements of Troy Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2009, and 2008. 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Troy Township, Ashland County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

KNOX & KNOX

Orrville, Ohio,
June 21, 2010

**TROY TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
CASH RECEIPTS:					
Property and Other Local Taxes	\$24,744	\$109,330			\$134,074
Licenses, Permits, and Fees	1,700	450			2,150
Intergovernmental Revenue	26,483	105,991	\$1,050		133,524
Earnings on Investments	105	20		\$2	127
Miscellaneous	840	531			1,371
	<u>53,872</u>	<u>216,322</u>	<u>1,050</u>	<u>2</u>	<u>271,246</u>
Total Cash Receipts					
CASH DISBURSEMENTS:					
Current:					
General Government	72,336				72,336
Public Safety		18,346			18,346
Public Works	7,368	174,467			181,835
Health	702	7,695			8,397
Conservation/Recreation	4,878		1,050		5,928
Capital Outlay			5,415		5,415
Debt Service:					
Redemption of Principal		4,129			4,129
Interest/Other Fiscal Charges		2,431			2,431
	<u>85,284</u>	<u>207,068</u>	<u>6,465</u>		<u>298,817</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(31,412)</u>	<u>9,254</u>	<u>(5,415)</u>	<u>2</u>	<u>(27,571)</u>
Fund Cash Balances, January 1	<u>54,713</u>	<u>58,376</u>	<u>\$5,415</u>	<u>3,134</u>	<u>121,638</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$23,301</u>	<u>\$67,630</u>	<u>\$3,136</u>	<u>\$3,136</u>	<u>\$94,067</u>

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

**TROY TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
CASH RECEIPTS:					
Property and Other Local Taxes	\$23,697	\$99,262			\$122,959
Licenses, Permits, and Fees	1,500	\$2,350			3,850
Intergovernmental Revenue	79,470	112,245			191,715
Earnings on Investments	389	228		\$12	629
Miscellaneous	2,330	2,000	\$5,415		9,745
	107,386	216,085	5,415	12	328,898
Total Cash Receipts					
CASH DISBURSEMENTS:					
Current:					
General Government	73,692				73,692
Public Safety		18,056			18,056
Public Works	5,760	231,884			237,644
Health	696	6,044			6,740
Conservation/Recreation	2,713				2,713
Capital Outlay		2,500			2,500
Debt Service:					
Redemption of Principal		3,897			3,897
Interest/Other Fiscal Charges		2,663			2,663
	82,861	265,044			347,905
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	24,525	(48,959)	5,415	12	(19,007)
OTHER FINANCING RECEIPTS/DISBURSEMENTS					
Sale of Fixed Assets	7				7
	7				7
Total Other financing Receipts/Disbursements					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing	24,532	(48,959)	5,415	12	(19,000)
Fund Cash Balances, January 1	30,181	107,335		3,122	140,638
FUND CASH BALANCES, DECEMBER 31	\$54,713	\$58,376	\$5,415	\$3,134	\$121,638

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

**TROY TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Troy Township, Ashland County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance and cemetery maintenance..

The Troy Township Waste Water District is a body politic established to handle all waste water affairs in the Township. On December 7, 2001, the Ashland County Common Pleas Court declared the District to be finally and completely organized and to be a political subdivision. These financial statements do not include the activities of the Troy Township Waste Water District.

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 accounting basis the Auditor of State of Ohio prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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:

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

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

Motor Vehicle License Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money for the construction, repair and maintenance of Township roads.

**TROY TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

Road and Bridge Fund - These funds receive real estate tax money for constructing, maintaining and repairing Township roads and bridges.

Cemetery Funds - These funds receive real estate tax money and money generated through from the sale of cemetery lots and donations from the general public. This money is disbursed for the maintenance and upkeep of Township cemeteries.

Fire District - This fund receives real estate tax money for the operation of a volunteer fire department for the Township.

Capital Projects Funds - These funds account for receipts restricted to acquiring and constructing major capital projects (except those financed by enterprise or trust funds). The Township had the following significant Capital Projects Fund:

Public Works Projects - This fund receives money from the State and is to be used for public works capital projects.

Permanent Fund (Trust and Agency Funds) - These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Permanent Fund - This fund receives money from the bequests of individual,. the earnings of which are expended for the upkeep of cemeteries and the purchase of cemetery land.

D. Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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.

**TROY TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process (continued)

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31, 2009 was as follows:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$94,067	\$121,638

Demand deposits - Deposits are insured by the Federal Depository Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and December 31, 2008 is as follows:

<u>Fund Type</u>	<u>2009 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$54,252	\$53,872	(\$380)
Special Revenue	213,809	216,322	2,513
Capital Projects	1,050	1,050	
Permanent	19	2	(17)
Total	\$269,130	\$271,246	\$2,116

**TROY TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2009 AND 2008**

3. BUDGETARY ACTIVITY (continued)

Fund Type	2009 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$107,026	\$85,284	\$21,742
Special Revenue	272,184	207,068	65,116
Capital Projects	6,465	6,465	
Permanent	1,646		1,646
Total	\$387,321	\$298,817	\$88,504

Fund Type	2008 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$57,669	\$107,393	\$49,724
Special Revenue	205,685	216,085	10,400
Capital Projects		5,415	5,415
Permanent	18	12	(6)
Total	\$263,372	\$328,905	\$65,533

Fund Type	2008 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,850	\$82,861	\$4,989
Special Revenue	313,030	265,044	47,986
Capital Projects	1,633		1,633
Permanent			
Total	\$402,513	\$347,905	\$54,608

4. PROPERTY TAX

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

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

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

**TROY TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2009 AND 2008**

5. CAPITAL LEASE

Capital leases outstanding at December 31, 2009 consisted of the following

	2009	Interest Rate
Backhoe	\$45,916	5.99%

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

Year Ending December 31	Principal	Imputed Interest	Total
2010	\$4,374	\$2,185	\$6,559
2011	4,635	1,924	6,559
2012	4,911	1,648	6,559
2013	5,204	1,355	6,559
2014	5,514	1,045	6,559
2015-2016	12,035	1,086	13,121
Total	\$36,673	\$9,243	\$45,916

The Township entered into a lease purchase agreement in October 2006, to acquire a backhoe. Interest is imputed at the rate of 5.99%. Annual payments are \$6,559.

6. RETIREMENT SYSTEMS

The Board of Trustees, Township Clerk, and other employees of the Township belong to the Ohio Public Employee's Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include post-retirement healthcare, and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009, OPERS members contributed 10.0% of their gross salaries. The Township contributed an amount equal to 14 % of the participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public officials' liability; and
- Vehicles

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Troy Township
Ashland County
901 US 224
Nova, Ohio 44859

To the Board of Trustees:

We have audited the accompanying financial statements of Troy Township, Ashland County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 21, 2010 wherein we noted Troy Township, Ohio followed accounting practices prescribed by the Auditor of State. 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 as basis for designing our audit procedures in order to express our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of control deficiencies, resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

KNOX & KNOX

Orrville, Ohio
June 21, 2010



Mary Taylor, CPA
Auditor of State

TROY TOWNSHIP

ASHLAND 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 28, 2010**