



**Auditor of State
Betty Montgomery**

**ADDISON TOWNSHIP
GALLIA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Addison Township
Gallia County
1414 Georges Creek Road
Gallipolis, Ohio 45631

To the Board of Township Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Addison Township, Gallia County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 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 2, 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 Addison Township, Gallia County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Fire Levy and FEMA Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

August 15, 2006

Addison Township – Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

Highlights

Key highlights for 2005 are as follows:

The Township's general receipts are primarily property taxes, local government distribution and utility reimbursement. These receipts represent respectively 35, 19, and 25 percent of the total general fund cash received for governmental activities during the year. Property tax, local government distribution and utility reimbursement receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

The Township borrowed \$7,522 at an interest rate of 4.65% for a mower deck on May 6, 2003 and paid it off in monthly payments. Final payment was on May 7, 2005.

A loan was received from OPWC for resurfacing Bunce & Keeler Roads. The total amount was \$108,153 with a 0.00% interest rate. It is to be paid off over a seven year period.

In the general election held in Addison Township, Gallia County on the 8th day of November, 2005, voters passed renewal of the fire levy for 0.3 mills for each one dollar of valuation, for a period of five (5) years for the purpose of providing fire protection.

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.

Addison Township – Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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 Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental fund 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 taxes.

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

Governmental activities. The Township's basic services are reported here. State and federal grants, gasoline tax, property taxes, local government distribution, utility reimbursement funds and the fire levy, finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The activities of the Township are in governmental funds.

Addison Township – Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Governmental Funds - The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for 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 funds are the General Fund, Gasoline Tax Fund, Fire Levy Fund, FEMA Fund and OPWC Issue 2 Bunce/Keeler Roads Resurfacing Project Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

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

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$220,788	\$239,308
Total Assets	\$220,788	\$239,308
Net Assets		
Restricted for:		
Permanent Fund: Cemetery Trust		
Expendable	\$301	\$290
Nonexpendable	2,365	2,365
Other Purposes	175,574	175,399
Unrestricted	42,548	61,255
Total Net Assets	\$220,788	\$239,308

Net assets of governmental activities decreased \$18,520 or 8 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

The Township completed extensive paving projects in 2005.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of Township-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Addison Township – Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited
(Table 2)
Changes in Net Assets

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$600
Operating Grants, Contributions and Interest	146,513
Capital Grants and Contributions	8,500
Total Program Receipts	155,613
General Receipts:	
Property and Other Local Taxes	73,052
Grants and Entitlements Not Restricted to Specific Programs	21,835
Proceeds of Loan	108,153
Earnings on Investments	3,499
Miscellaneous	8,878
Total General Receipts	215,417
Total Receipts	371,030
Disbursements:	
General Government	56,322
Public Safety	22,916
Public Works	113,537
Health	0
Other	3,131
Capital Outlay	191,998
Debt Service:	
Principal	1,627
Interest	19
Total Disbursements	389,550
Increase (Decrease) in Net Assets	(18,520)
Net Assets, January 1, 2005	239,308
Net Assets, December 31, 2005	\$220,788

Program receipts represent only 42 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as grant funds, motor vehicle license and gasoline tax money.

General receipts represent 58 percent of the Township's total receipts, and of this amount, over 20 percent are local taxes. Proceeds of loan represent 29 percent of the Township's total receipts. State and federal grants and entitlements make up 6 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Addison Township – Gallia County
 Management’s Discussion and Analysis
 For the Year Ended December 31, 2005
 Unaudited

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of trustees, and the clerk.

Public Safety is the cost of fire protection; and Public Works and Capital Outlay are the costs of resurfacing and maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 10 you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Capital Outlay and Public Works, which account for 49 and 29 percent of all governmental disbursements, respectively. General Government also represents a significant cost, about 14 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 Of Services 2005	Net Cost of Services 2005
General Government	\$56,322	(\$43,423)
Public Safety	22,916	(10,077)
Public Works	113,537	11,693
Health	0	611
Other	3,131	903
Capital Outlay	191,998	(191,998)
Debt Service:		
Principal	1,627	(1,627)
Interest	19	(19)
Total Expenses	\$389,550	(\$233,937)

The dependence upon property tax receipts is apparent as over 19 percent of governmental activities are supported through these general receipts.

The Township’s Funds

Total governmental funds had receipts and other financing sources of \$371,029 and disbursements of \$389,550. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$18,707 as the result of the Township completing major paving projects in 2005.

General Fund receipts were less than disbursements by \$18,707 indicating that the General Fund is in a deficit spending situation. It was the plan of the Trustees to use the larger than usual carryover in General Fund to complete the major paving projects in 2005.

Addison Township – Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Township amended its General Fund budget two times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts by an insignificant amount. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$141,488 while actual disbursements were \$124,495. Although receipts failed to live up to expectations, appropriations were not reduced. The Township spending was lower than budgeted amounts as demonstrated by the minor reported variances. The year end result still reflected a decrease in fund balance of \$26,134 for 2005

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2005, the Township's outstanding debt included \$108,153 for a loan with 0.00% interest received from OPWC for resurfacing Bunce & Keeler Roads. It is to be paid off over a seven year period.

Current Issues

The challenge for all Townships 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.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Addison Township, Debbie Hughes, Fiscal Officer, 1414 Georges Creek Road, Gallipolis, OH 45631-8600.

ADDISON TOWNSHIP
GALLIA COUNTY
Statement of Net Assets - Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$220,788
Total Assets	\$220,788
 Net Assets	
Restricted for:	
Permanent Fund: Cemetery Trust	
Expendable	301
Nonexpendable	2,365
Other Purposes	175,574
Unrestricted	42,548
Total Net Assets	\$220,788

See accompanying notes to the basic financial statements

ADDISON TOWNSHIP
GALLIA COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$56,322	\$0	\$12,899	\$0	(\$43,423)
Public Safety	22,916	0	12,839	0	(10,077)
Public Works	113,537	0	116,730	8,500	11,693
Health	0	600	11	0	611
Other	3,131	0	4,034	0	903
Capital Outlay	191,998	0	0	0	(191,998)
Debt Service:					
Principal	1,627	0	0	0	(1,627)
Interest	19	0	0	0	(19)
Total Governmental Activities	<u>389,550</u>	<u>600</u>	<u>146,513</u>	<u>8,500</u>	<u>(233,937)</u>
Total Primary Government	<u>\$389,550</u>	<u>\$600</u>	<u>\$146,513</u>	<u>\$8,500</u>	<u>(233,937)</u>
General Receipts					
Property Taxes					72,028
Other Taxes					1,024
Grants and Entitlements not Restricted to Specific Programs					21,835
Proceeds of Loan					108,153
Earnings on Investments					3,499
Miscellaneous					8,878
Total General Receipts					<u>215,417</u>
Change in Net Assets					(18,520)
Net Assets Beginning of Year					<u>239,308</u>
Net Assets End of Year					<u>\$220,788</u>

See accompanying notes to the basic financial statements

ADDISON TOWNSHIP
GALLIA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	GENERAL	GASOLINE TAX	FIRE LEVY	FEMA	OPWC ISSUE 2	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets							
Equity in Pooled Cash and Cash Equivalents	\$42,548	\$34,233	\$84,523	\$40,190	\$0	\$19,294	\$220,788
Total Assets	<u>\$42,548</u>	<u>\$34,233</u>	<u>\$84,523</u>	<u>\$40,190</u>	<u>\$0</u>	<u>\$19,294</u>	<u>\$220,788</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$7,426	\$12,070	\$0	\$0	\$0	\$8,661	\$28,157
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	35,122	0	0	0	0	0	35,122
Special Revenue Funds	0	22,163	84,523	40,190	0	7,967	154,843
Permanent Fund	0	0	0	0	0	2,666	2,666
Total Fund Balances	<u>\$42,548</u>	<u>\$34,233</u>	<u>\$84,523</u>	<u>\$40,190</u>	<u>\$0</u>	<u>\$19,294</u>	<u>\$220,788</u>

See accompanying notes to the basic financial statements

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

	GENERAL	GASOLINE TAX	FIRE LEVY	FEMA	OPWC ISSUE 2	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts							
Property and Other Local Taxes	\$38,607	\$0	\$15,142	\$0	\$0	\$19,303	\$73,052
Licenses, Permits and Fees	6,972	0	0	0	0	0	6,972
Intergovernmental	48,708	84,691	12,839	0	0	30,599	176,837
Earnings on Investments	3,277	196	0	0	0	36	3,509
Miscellaneous	600	0	0	0	0	0	600
Total Receipts	98,164	84,887	27,981	0	0	49,938	260,970
Disbursements							
Current:							
General Government	56,322	0	0	0	0	0	56,322
Public Safety	0	0	22,916	0	0	0	22,916
Public Works	47,920	48,446	0	0	0	17,171	113,537
Other	0	2,440	0	0	0	691	3,131
Capital Outlay	12,826	35,519	0	0	108,153	35,500	191,998
Debt Service:							
Principal Retirement	0	1,627	0	0	0	0	1,627
Interest and Fiscal Charges	0	19	0	0	0	0	19
Total Disbursements	117,068	88,051	22,916	0	108,153	53,362	389,550
Excess of Receipts Over (Under) Disbursements	(18,904)	(3,164)	5,065	0	(108,153)	(3,424)	(128,580)
Other Financing Sources							
Proceeds of Loan	0	0	0	0	108,153	0	108,153
Other Financing Sources	197	1,709	0	0	0	0	1,906
Total Other Financing Sources	197	1,709	0	0	108,153	0	110,059
Net Change in Fund Balances	(18,707)	(1,455)	5,065	0	0	(3,424)	(18,521)
Fund Balances Beginning of Year	61,255	35,688	79,459	40,190	0	22,717	239,309
Fund Balances End of Year	<u>\$42,548</u>	<u>\$34,233</u>	<u>\$84,524</u>	<u>\$40,190</u>	<u>\$0</u>	<u>\$19,293</u>	<u>\$220,788</u>

See accompanying notes to the basic financial statements

**ADDISON TOWNSHIP
GALLIA 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>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Receipts				
Property and Other Local Taxes	\$38,550	\$38,590	\$38,607	\$17
Licenses, Permits and Fees	3,600	6,970	6,972	2
Intergovernmental	50,855	48,680	48,708	28
Earnings on Investments	200	3,000	3,277	277
Miscellaneous	100	600	600	0
Total receipts	<u>93,305</u>	<u>97,840</u>	<u>98,164</u>	<u>324</u>
Disbursements				
Current:				
General Government	62,766	64,725	56,912	7,813
Public Works	50,835	61,863	54,756	7,107
Capital Outlay	22,000	14,900	12,827	2,073
Total Disbursements	<u>135,601</u>	<u>141,488</u>	<u>124,495</u>	<u>16,993</u>
Excess of Receipts Over (Under) Disbursements	<u>(42,296)</u>	<u>(43,648)</u>	<u>(26,331)</u>	<u>17,317</u>
Other Financing Sources				
Other Financing Sources	<u>100</u>	<u>190</u>	<u>197</u>	<u>7</u>
Total Other Financing Sources	<u>100</u>	<u>190</u>	<u>197</u>	<u>7</u>
Net Change in Fund Balance	(42,196)	(43,458)	(26,134)	17,324
Fund Balance Beginning of Year	60,490	60,490	60,490	0
Prior Year Encumbrances Appropriated	<u>765</u>	<u>765</u>	<u>765</u>	<u>0</u>
Fund Balance End of Year	<u>\$19,059</u>	<u>\$17,797</u>	<u>\$35,121</u>	<u>\$17,324</u>

See accompanying notes to the basic financial statements

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Receipts				
Intergovernmental	69,000	80,680	84,691	4,011
Earnings on Investments	55	185	196	11
Total receipts	<u>69,055</u>	<u>80,865</u>	<u>84,887</u>	<u>4,022</u>
Disbursements				
Current:				
Public Works	50,000	51,249	48,516	2,733
Other	1,500	3,300	2,440	860
Capital Outlay	37,000	49,960	47,519	2,441
Debt Service:				
Principal Retirement	1,630	1,630	1,627	3
Interest and Fiscal Charges	20	20	19	1
Total Disbursements	<u>90,150</u>	<u>106,159</u>	<u>100,121</u>	<u>6,038</u>
Excess of Receipts Over (Under) Disbursements	<u>(21,095)</u>	<u>(25,294)</u>	<u>(15,234)</u>	<u>10,060</u>
Other Financing Sources				
Other Financing Sources	<u>500</u>	<u>1,700</u>	<u>1,709</u>	<u>9</u>
Total Other Financing Sources	<u>500</u>	<u>1,700</u>	<u>1,709</u>	<u>9</u>
Net Change in Fund Balance	(20,595)	(23,594)	(13,525)	10,069
Fund Balance Beginning of Year	34,679	34,679	34,679	0
Prior Year Encumbrances Appropriated	<u>1,009</u>	<u>1,009</u>	<u>1,009</u>	<u>0</u>
Fund Balance End of Year	<u>\$15,093</u>	<u>\$12,094</u>	<u>\$22,163</u>	<u>\$10,069</u>

See accompanying notes to the basic financial statements

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Receipts				
Property and Other Local Taxes	\$15,220	\$15,130	\$15,142	\$12
Intergovernmental	12,720	12,830	12,839	9
Total receipts	<u>27,940</u>	<u>27,960</u>	<u>27,981</u>	<u>21</u>
Disbursements				
Current:				
Public Safety	29,110	29,110	22,916	6,194
Total Disbursements	<u>29,110</u>	<u>29,110</u>	<u>22,916</u>	<u>6,194</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,170)</u>	<u>(1,150)</u>	<u>5,065</u>	<u>6,215</u>
Net Change in Fund Balance	(1,170)	(1,150)	5,065	6,215
Fund Balance Beginning of Year	<u>79,459</u>	<u>79,459</u>	<u>79,459</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$78,289</u></u>	<u><u>\$78,309</u></u>	<u><u>\$84,524</u></u>	<u><u>\$6,215</u></u>

See accompanying notes to the basic financial statements

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Receipts				
Intergovernmental	\$12,881	\$0	\$0	\$0
Total receipts	<u>12,881</u>	<u>0</u>	<u>0</u>	<u>0</u>
Disbursements				
Public Safety	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Disbursements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Receipts Over (Under) Disbursements	<u>12,881</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(53,071)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(53,071)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(40,190)	0	0	0
Fund Balance Beginning of Year	<u>40,190</u>	<u>40,190</u>	<u>40,190</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$40,190</u></u>	<u><u>\$40,190</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**ADDISON TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

Note 1 – Reporting Entity

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

The reporting entity is comprised of the primary government

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the City of Gallipolis for fire protection. Police protection is provided by the Gallia County Sheriff.

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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements reflect activities of the Township that are governmental. Addison Township has no activities that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

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 activity is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. 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 Township's funds are classified as 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, Gasoline Tax Fund, Fire Levy Fund, FEMA Fund and OPWC Issue 2 Bunce/Keeler Roads Resurfacing Project 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 Gasoline Tax Fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads. The Fire Levy Fund receives property tax money to provide fire protection through contracts with other governmental entities. The FEMA Fund receives FEMA funds to assist with emergency repairs to Township road and equipment as a result of 2004 flooding.

The OPWC Issue 2 Bunce/Keeler Roads Resurfacing Project Fund showed the activity of OPWC funding that was receipted and expended for resurfacing Bunce & Keeler roads.

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

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency 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 Clerk. 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".

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts (contra revenue), respectively.

During 2005, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit is 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 \$3,277 which includes \$3,022 assigned from other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. 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.

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Long-Term Obligations

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The 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.

N. 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. Cemetery Trust Fund reserve is \$2,666. Only the interest amount generated can be spent. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

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

Note 3 – Change in Basis of Accounting and Accounting Principles

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

The Village has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB Statement No. 40 modifies the disclosures for deposits and investments, and had no material effect on the financial statements.

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

Note 4 – Accountability and Compliance

A. Accountability

The Township reports no deficit fund balances.

Note 5 – 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, Gasoline Tax Fund, Fire Levy Fund and FEMA Fund 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 encumbrances outstanding at year end (budgetary basis) amounted to \$7,426 for the General Fund and \$12,070 for the Gasoline Tax Fund. There were no outstanding advances at year end.

Note 6 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

Note 6 – Deposits and Investments (Continued)

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 (STAROhio).

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 Village, and must be purchased with the expectation that it will be held to maturity.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$122,363 of the Township's bank balance of \$222,363 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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 7 – 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.

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

Note 7 – Property Taxes (Continued)

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 \$32.05 per \$1,000 of assessed value for property owners in the Gallia County School District and \$41.70 per \$1,000 of assessed value for property owners in the Gallipolis City School District. 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	\$14,072,240
Agriculture	4,428,500
Commercial/Industrial/Mineral	16,304,330
Public Utility Property	
Real	42,850
Personal	26,722,440
Tangible Personal Property	5,830,556
Total Assessed Value	<u>\$67,400,916</u>

Note 8 – Risk Management

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

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.

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

Note 8 – Risk Management (Continued)

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.

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

Note 8 – Risk Management (Continued)

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 \$9,184.

Note 9 – Defined Benefit Pension Plan

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.

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

Note 9 – Defined Benefit Pension Plan (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$8,398, \$7,923, and \$7,984 respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$5,268 made by the Township and \$8,398 made by the plan members.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$2,479. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

Note 10 - Postemployment Benefits (Continued)

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 11 - Notes Payable

A summary of the note transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
Loan on Mower Deck	4.65%	\$1,627	\$0	\$1,627	\$0
OPWC Loan-Bunce/Keeler Road Resurfacing	0.00%	0	108,153	0	108,153

The Township borrowed \$7,522 at an interest rate of 4.65% for a mower deck on May 6, 2003 and paid it off in monthly payments. Final payment was made on May 7, 2005.

A loan was received from OPWC in 2005 for resurfacing Bunce & Keeler Roads. The total amount was \$108,153 with a 0.00% interest rate. It is to be paid off over a seven year period.

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

<u>Year</u>	<u>Amount</u>
2006	\$9,013
2007	18,026
2008	18,026
2009	18,026
2010	18,026
2011	18,026
2012	9,010
Total	<u>\$108,153</u>

Note 12 – Construction and Contractual Commitments

On September 3, 2005 the Township entered into contract with The Shelly Company for 2005 paving of various Township roads. The total contract was \$103,342. \$51,671 is the amount outstanding on the contract at December 31, 2005.

**ADDISON TOWNSHIP
GALLIA COUNTY**

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

Note 13 – Contingent Liabilities

The Township has no 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*

Addison Township
Gallia County
1414 Georges Creek Road
Gallipolis, Ohio 45631

To the Board of Township Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Addison Township, Gallia County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 15, 2006. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

August 15, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

ADDISON TOWNSHIP

GALLIA 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 5, 2006**