



**MOHICAN TOWNSHIP
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**MOHICAN TOWNSHIP
ASHLAND COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Mohican Township
Ashland County
1761 Township Road 85
Jeromesville, Ohio 44840

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mohican Township, Ashland 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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mohican Township, Ashland County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, and Road and Bridge Fund 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*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 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.

The Township has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

Betty Montgomery
Auditor of State

October 13, 2006

**MOHICAN TOWNSHIP
ASHLAND COUNTY**

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

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$152,972
Net Assets	
Restricted for:	
Other Purposes	82,155
Unrestricted	<u>70,817</u>
<i>Total Net Assets</i>	<u><u>\$152,972</u></u>

See accompanying notes to the basic financial statements

**MOHICAN TOWNSHIP
ASHLAND COUNTY**

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

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	\$42,221		(\$42,221)
Public Safety	8,328	\$8,328	0
Public Works	192,737	85,837	(106,900)
Health	1,536		(1,536)
Capital Outlay	23,250		(23,250)
Debt Service:			
Principal	2,692		(2,692)
Interest	758		(758)
<i>Total Governmental Activities</i>	<u>271,522</u>	<u>94,165</u>	<u>(177,357)</u>
		General Receipts	
		Property Taxes Levied for:	
		General Purposes	16,933
		Road and Bridge	122,082
		Grants and Entitlements not Restricted to Specific Programs	117,375
		Notes Issued	18,900
		Interest	485
		Miscellaneous	2,461
		<i>Total General Receipts</i>	<u>278,236</u>
		Change in Net Assets	100,879
		<i>Net Assets Beginning of Year</i>	<u>52,093</u>
		<i>Net Assets End of Year</i>	<u>\$152,972</u>

See accompanying notes to the basic financial statements

**MOHICAN TOWNSHIP
ASHLAND COUNTY**

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

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$70,817	\$34,866	\$40,851	\$6,438	\$152,972
Fund Balances					
Reserved:					
Reserved for Encumbrances	139	1,118	249	0	1,506
Unreserved:					
Undesignated, Reported in:					
General Fund	70,678				70,678
Special Revenue Funds		33,748	40,602	6,438	80,788
<i>Total Fund Balances</i>	<u>\$70,817</u>	<u>\$34,866</u>	<u>\$40,851</u>	<u>\$6,438</u>	<u>\$152,972</u>

See accompanying notes to the basic financial statements

**MOHICAN TOWNSHIP
ASHLAND COUNTY**

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

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$16,933		\$122,082		\$139,015
Intergovernmental	92,261	77,232	23,806	18,241	211,540
Interest	279	144		62	485
Other	64	23	2,374		2,461
<i>Total Receipts</i>	<u>109,537</u>	<u>77,399</u>	<u>148,262</u>	<u>18,303</u>	<u>353,501</u>
Disbursements					
Current:					
General Government	42,221				42,221
Public Safety				8,328	8,328
Public Works		56,951	123,470	12,316	192,737
Health	1,536				1,536
Capital Outlay			23,250		23,250
Debt Service:					
Principal Retirement	2,692				2,692
Interest and Fiscal Charges	758				758
<i>Total Disbursements</i>	<u>47,207</u>	<u>56,951</u>	<u>146,720</u>	<u>20,644</u>	<u>271,522</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	62,330	20,448	1,542	(2,341)	81,979
Other Financing Sources					
Notes Issued			18,900		18,900
<i>Net Change in Fund Balances</i>	62,330	20,448	20,442	(2,341)	100,879
<i>Fund Balances Beginning of Year</i>	8,487	14,418	20,409	8,779	52,093
<i>Fund Balances End of Year</i>	<u>\$70,817</u>	<u>\$34,866</u>	<u>\$40,851</u>	<u>\$6,438</u>	<u>\$152,972</u>

See accompanying notes to the basic financial statements

**MOHICAN TOWNSHIP
ASHLAND COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$13,702	\$13,702	\$16,933	\$3,231
Intergovernmental	36,309	36,309	92,261	55,952
Interest	206	206	279	73
Other	97	97	64	(33)
<i>Total Receipts</i>	<u>50,314</u>	<u>50,314</u>	<u>109,537</u>	<u>59,223</u>
Disbursements				
Current:				
General Government	44,900	44,900	42,221	2,679
Health	2,500	2,500	1,536	964
Capital Outlay	4,300	4,300		4,300
Debt Service:				
Principal Retirement			2,692	(2,692)
Interest and Fiscal Charges			758	(758)
<i>Total Disbursements</i>	<u>51,700</u>	<u>51,700</u>	<u>47,207</u>	<u>4,493</u>
<i>Net Change in Fund Balance</i>	(1,386)	(1,386)	62,330	63,716
<i>Fund Balance Beginning of Year</i>	<u>8,487</u>	<u>8,487</u>	<u>8,487</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,101</u></u>	<u><u>\$7,101</u></u>	<u><u>\$70,817</u></u>	<u><u>\$63,716</u></u>

See accompanying notes to the basic financial statements

**MOHICAN TOWNSHIP
ASHLAND COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$68,208	\$68,208	\$77,232	\$9,024
Interest	100	100	144	44
Other			23	23
<i>Total Receipts</i>	68,308	68,308	77,399	9,091
Disbursements				
Current:				
General Government				
Public Works	67,750	67,750	56,951	10,799
<i>Total Disbursements</i>	67,750	67,750	56,951	10,799
<i>Net Change in Fund Balance</i>	558	558	20,448	19,890
<i>Fund Balance Beginning of Year</i>	14,418	14,418	14,418	0
<i>Fund Balance End of Year</i>	\$14,976	\$14,976	\$34,866	\$19,890

See accompanying notes to the basic financial statements

**MOHICAN TOWNSHIP
ASHLAND COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$128,404	\$128,404	\$122,082	(\$6,322)
Intergovernmental	8,000	8,000	23,806	15,806
Other	239	239	2,374	2,135
<i>Total Receipts</i>	<u>136,643</u>	<u>136,643</u>	<u>148,262</u>	<u>11,619</u>
Disbursements				
Current:				
Public Works	135,850	135,850	123,470	12,380
Capital Outlay			23,250	(23,250)
<i>Total Disbursements</i>	<u>135,850</u>	<u>135,850</u>	<u>146,720</u>	<u>(10,870)</u>
<i>Excess of Receipts Over Disbursements</i>	793	793	1,542	749
Other Financing Sources				
Notes Issued	0	37,800	18,900	(18,900)
<i>Net Change in Fund Balance</i>	793	38,593	20,442	(18,151)
<i>Fund Balance Beginning of Year</i>	<u>20,409</u>	<u>20,409</u>	<u>20,409</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$21,202</u>	<u>\$59,002</u>	<u>\$40,851</u>	<u>(\$18,151)</u>

See accompanying notes to the basic financial statements

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**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

Mohican Township, Ashland 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, component units and other organizations that were included to ensure that the financial statements are not misleading.

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 and maintenance of Township roads and bridges. The Township contracts with the Jeromesville Fire Department for fire protection. Police protection is provided by the Ashland County Sheriff's Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Mohican Township has no component units.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity (continued)

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA). See Note 12.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of 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. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township does not report any business-type activities, which general are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All of the Township's funds are categorized 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 fund are the General Fund, Gasoline Tax Fund, and Road and Bridge 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 is used to account for gasoline tax money which the Township can only use to pay for constructing, maintaining, and repairing Township roads. The Road and Bridge Fund is used to account for tax money which the Township can only use for constructing, maintaining, and repairing Township roads.

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

C. Basis of Accounting

The Township's financial statements are prepared using the modified 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 modified 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.

**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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

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

The Township had no investments during fiscal year 2005.

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 \$279.

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. During 2005, the Township did not report any restricted assets.

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.

**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

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 modified 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's modified 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.

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. Net assets restricted for other purposes include resources restricted for road work.

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. 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

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.

**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

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

Note 4 – 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, and Road and Bridge 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 modified cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified 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 (modified cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$139 for the General Fund and \$1,118 and \$249 for the Gasoline Tax Fund and Road and Bridge Fund, respectively.

Note 5 – Deposits and Investments

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

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

Inactive deposits are public deposits 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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
2. 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; and
3. The State Treasurer's investment pool (STAR Ohio).

**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 5 - Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$53,810 of the Township's bank balance of \$153,810 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.

Investments

As of December 31, 2005, the Township had no investments.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 – Property Taxes (continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$6.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$21,221,490
Agriculture	6,304,350
Commercial/Industrial/Mineral	1,334,280
Public Utility Property	2,115,340
Tangible Personal Property	714,435
Total Assessed Value	<u>\$31,689,895</u>

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 the Township contracted with 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. Coverage provided by OTARMA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	2,000,000	Per Occurrence
Wrongful Acts	2,000,000	Per Occurrence
Property	250,300	Total Coverage

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 8 – 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) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 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 \$8,699, \$9,447, and \$10,641 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability 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 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$1,777. 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.

**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 9 - Postemployment Benefits (continued)

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

Note 10 – Debt

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

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
Promissory Note						
2005 Issue (Original						
Amount \$18,900)						
	5.25%	\$0	\$18,900	\$2,692	\$16,208	\$6,272

The promissory note was used to purchase a tractor.

The promissory note is supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent other resources are not available to meet annual principal and interest payments.

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

<u>Year</u>	<u>Promissory Note</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$6,272	\$359
2007	6,327	525
2008	3,609	290
Totals	<u>\$16,208</u>	<u>\$1,174</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$3,311,231 and an unvoted debt margin of \$1,726,736.

Note 11 – Contingent Liabilities

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

**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 12 – Public Entity Risk Pool

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.

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.

**Mohican Township
Ashland County**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 12 – Public Entity Risk Pool (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	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

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



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*

Mohican Township
Ashland County
1761 Township Road 85
Jeromesville, Ohio 44840

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mohican Township, Ashland 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 October 13, 2006, wherein we noted the Township revised its financial statements for 2005, making them comparable to the requirements of Governmental Auditing Standards Board Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments. We also noted 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. In addition, the Township has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions are also considered material weakness. However, we not believe the reportable condition described above is a material weakness.

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In a separate letter to the Township's management dated October 13, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001.

In a separate letter to the Township's management dated October 13, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

October 13, 2006

**MOHICAN TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 505.24 states the Township Trustees shall be paid from the township general fund or from such other township funds in such proportions as the board may specify by resolution. This means the salary resolution must allocate the salary distribution from various funds in the same proportion as the trustees' services bear to the activities supported by such funds, as determined by the Board.

During 2005, 50% of the Township Trustees' salaries were paid from the Road and Bridge Fund. There was no resolution in effect which indicated that Trustees' salaries should be paid from any fund other than the General Fund, and no evidence was provided to indicate 50% of the Trustees' time was devoted to activities supported by the Road and Bridge Fund. However, on September 25, 2006, the Board of Trustees passed a resolution retroactive to January 1, 2005, which allowed 50% of the Township Trustees' salaries to be paid from the Road and Bridge Fund, based on the estimated level of service provided by the Trustees during 2005. The percentages indicated in that resolution reflect the percentage of the Township Trustees' salaries allocated during 2005 and is reflected in the accompanying financial statements.

Officials' Response: The Board of Mohican Township Trustees passed a resolution to go retroactive to January 1, 2005, paying the Trustees 50% out of the Road and Bridge Fund and 50% out of the General Fund. At the beginning of each year, the Trustees will pass a resolution stating the percentages to be paid out of each fund for that year.

FINDING NUMBER 2005-002

Reportable Condition

A number of revenue items were not properly classified by the Township Clerk and required reclassification and/or adjustment. Items requiring reclassification and adjustments included tax, intergovernmental, and miscellaneous receipts.

The Township Clerk should review the account code classifications in the UAN system and the "Ohio Township Handbook" chart of accounts and post receipts to the proper line item account codes and fund. This will help ensure receipts are properly reflected in the financial statements. In addition, fairly presented financial statements provide the Township Trustees with the ability to analyze information in a consistent manner which aids in making informed financial decisions regarding Township operations.

Officials' Response: As for mispostings to the revenue ledger, in the future the Fiscal Officer will review the Township handbook to be sure all deposits are recorded correctly.

**MOHICAN TOWNSHIP
ASHLAND COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Receipts not properly classified	No	Not Corrected. Refer to Finding 2005-002



**Auditor of State
Betty Montgomery**

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MOHICAN 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
NOVEMBER 14, 2006**