



**Mary Taylor, CPA**  
Auditor of State



**RICE TOWNSHIP  
SANDUSKY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Rice Township  
Sandusky County  
1830 County Road 145  
Fremont, Ohio 43420

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 Rice Township, Sandusky County, Ohio (the Township), as of and for the year ended December 31, 2006, 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 opinion.

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 Rice Township, Sandusky County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, and Road and Bridge funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2007, 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.



**Mary Taylor, CPA**  
Auditor of State

May 7, 2007

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

This discussion and analysis of Rice Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's modified 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 2006 are as follows:

- Net assets of governmental activities increased \$52,873 or 23 percent, a slight change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General Fund and Gasoline Tax Fund.
- The Township's general receipts are primarily property and other local taxes and grants and entitlements not restricted to specific programs. These receipts represent 43 and 11 percent respectively of the total cash received for governmental activities during the year. Property and other local tax receipts for 2006 changed very little compared to 2005 as development within the Township has leveled.
- Expenditures were also similar to 2005 with the exception of Capital Outlay expenditures decreasing because the Township constructed the new maintenance building during 2005. The building contract was awarded to Ansted Construction in 2004 with actual construction started and completed in 2005.
- The Township's debt includes an installment purchase agreement arranged through the Municipal Services Group and financed by the Citizens Bank of Las Cruces New Mexico for a John Deere Comfort Vantage Cab Tractor, Tiger Side-Mount Flail Mower and Tiger Rear-Offset Flail Mower. Payments will be made through 2010.

**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 modified 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.

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

**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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

**Reporting the Township as a Whole**

The Township contracts with the Village of Lindsey and the Portage Fire District to provide fire protection; Police protection is under the jurisdiction of the Sandusky County Sherriff. The Township is zoned and operates a cemetery.

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. 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 modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we report governmental activities which include the Township's basic services such as fire protection. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.



**RICE TOWNSHIP  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

**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 funds of the Township are all 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, Road and Bridge Fund, and the Public Works/Issue II 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 2006 compared to 2005 on a modified cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>	
	2006	2005
<b>Assets</b>		
Cash and Cash Equivalents	\$284,398	\$231,524
Total Assets	\$284,398	\$231,524
<b>Net Assets</b>		
Restricted for:		
Other Purposes	213,320	180,481
Unrestricted	71,077	51,043
Total Net Assets	\$284,397	\$231,524

As mentioned previously, net assets of governmental activities increased \$52,873 or 23 percent during 2006. The primary reason contributing to the increases in cash balances is because Property and Other Local Taxes in all funds increased by \$12,385, and the Township paid for a new maintenance building in 2005 versus 2006.

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets on a modified cash basis in 2006 and 2005 for Governmental Activities.

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

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$3,568	\$3,739
Operating Grants and Contributions	95,678	95,568
Capital Grants and Contributions	38,500	20,000
Total Program Receipts	<u>137,746</u>	<u>119,307</u>
General Receipts:		
Property and Other Local Taxes Levied For:		
General Purposes	74,948	68,973
Road and Bridge	45,370	40,876
Special Levy - Fire	16,353	14,437
Grants and Entitlements Not Restricted to Specific Programs	34,525	41,555
Interest	2,455	2,589
Miscellaneous	5,894	6,441
Total General Receipts	<u>179,545</u>	<u>174,871</u>
Total Receipts	<u>317,291</u>	<u>294,178</u>
Disbursements:		
General Government	77,522	88,940
Public Safety	33,572	33,342
Public Works	30,467	33,548
Health	5,471	3,464
Capital Outlay	115,080	254,645
Debt Service:		
Interest & Fiscal Charges	2,306	2,132
Total Disbursements	<u>264,418</u>	<u>416,071</u>
Change in Net Assets	52,873	(121,893)
Net Assets Beginning of Year	231,524	353,417
Net Assets End of Year	<u>\$284,397</u>	<u>\$231,524</u>

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

Program receipts represent only 43 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and an Issue 2 Grant.

General receipts represent 57 percent of the Township's total receipts, and of this amount, over 76 percent are local taxes. State grants and entitlements make up the balance of the Township's general receipts (19 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

Public Safety is the costs of fire protection services; Public Works is the cost of maintaining the roads. Health is the health department and Capital Outlay is the costs of capital expenditures such as road improvements and the maintenance building.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and capital outlay which account for 29 and 44 percent, of all governmental disbursements, respectively. Public Safety and Public Works also represents significant costs of about 13 and 12 percent respectively. 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 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$77,522	\$74,854	\$88,940	\$85,651
Public Safety	33,572	32,558	33,342	32,047
Public Works	30,467	17,345	33,548	16,507
Health	5,471	4,571	3,464	3,014
Capital Outlay	115,080	(4,962)	254,645	157,413
Debt Service				
Interest and Fiscal Charges	2,306	2,306	2,132	2,132
<b>Total Expenses</b>	<b>\$264,418</b>	<b>\$126,672</b>	<b>\$416,071</b>	<b>\$296,764</b>

The dependence upon property and other tax receipts is apparent as over 48 percent of governmental activities are supported through these general receipts.

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

**The Township's Funds**

Total governmental funds had receipts of \$317,291 and disbursements of \$264,418. The greatest change within governmental funds occurred within the General Fund, Gasoline Tax Fund, and Road and Bridge Fund. The fund balance of the General Fund increased \$20,033 and the Road and Bridge Fund increased \$9,505 primarily as the result of increased receipts for Property & Other Local Taxes. The Gasoline Tax Fund increased by \$18,112 due to increased receipts.

**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 2006, the Township amended its General Fund budget several times to reflect changing circumstances. There was no significant difference between final budgeted receipts and actual receipts.

Final disbursements and other financing uses were budgeted at \$124,671 while actual disbursements and other financing uses were \$98,486. Appropriations were increased by \$86,286 during 2006. The Township spent under budgeted amounts. The result is the increase in fund balance of \$20,034 for 2006.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

**Debt**

At December 31, 2006, the Township's outstanding debt included \$49,252 in an installment purchase agreement. For further information regarding the Township's debt, refer to Note 9 to the basic financial statements.

**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. The change in Property Tax to Commercial Activity Tax and the loss of a local industry may have a negative impact on the Township's revenue. Discussion on the state level to eliminate the Local Government Revenue may also have an adverse effect on the Township's financial status.

**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 Teresa McClure, Rice Township Fiscal Officer, 1830 County Road 145, Fremont, Ohio 43420-9330.

**RICE TOWNSHIP  
SANDUSKY COUNTY**

*Statement of Net Assets - Modified Cash Basis  
December 31, 2006*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$284,397</u>
<i>Total Assets</i>	<u><u>\$284,397</u></u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	213,320
Unrestricted	<u>71,077</u>
<i>Total Net Assets</i>	<u><u>\$284,397</u></u>

See accompanying notes to the basic financial statements

**RICE TOWNSHIP  
SANDUSKY COUNTY**

*Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2006*

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$77,522	\$2,668			(\$74,854)
Public Safety	33,572		1,014		(32,558)
Public Works	30,467		13,122		(17,345)
Health	5,471	900			(4,571)
Capital Outlay	115,080		81,542	38,500	4,962
Debt Service:					
Interest and Fiscal Charges	2,306				(2,306)
<i>Total Governmental Activities</i>	<u>264,418</u>	<u>3,568</u>	<u>95,678</u>	<u>38,500</u>	<u>(126,672)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					74,948
Road and Bridge					45,370
Special Levy - Fire					16,353
Grants and Entitlements not Restricted to Specific Programs					34,525
Interest					2,455
Miscellaneous					5,894
					<u>179,545</u>
					Change in Net Assets 52,873
					<u>231,524</u>
					<u>\$284,397</u>

See accompanying notes to the basic financial statements

**RICE TOWNSHIP  
SANDUSKY COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006*

	General	Gasoline Tax	Road And Bridge	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$71,077	\$72,504	\$124,488	\$16,328	\$284,397
<i>Total Assets</i>	<u>\$71,077</u>	<u>\$72,504</u>	<u>\$124,488</u>	<u>\$16,328</u>	<u>\$284,397</u>
<b>Fund Balances</b>					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	71,077				71,077
Special Revenue Funds		72,504	124,488	16,328	213,320
<i>Total Fund Balances</i>	<u>\$71,077</u>	<u>\$72,504</u>	<u>\$124,488</u>	<u>\$16,328</u>	<u>\$284,397</u>

See accompanying notes to the basic financial statements

**RICE TOWNSHIP  
SANDUSKY COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

	General	Gasoline Tax	Road and Bridge	Public Works/ Issue II Projects	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$74,948		\$45,370		\$16,353	\$136,671
Charges for Services	2,016					2,016
Licenses, Permits and Fees	652				900	1,552
Intergovernmental	34,525	\$81,542	3,496	\$38,500	10,640	168,703
Interest	1,688	721			46	2,455
Other	4,691		88		1,115	5,894
<i>Total Receipts</i>	<u>118,520</u>	<u>82,263</u>	<u>48,954</u>	<u>38,500</u>	<u>29,054</u>	<u>317,291</u>
<b>Disbursements</b>						
Current:						
General Government	77,522					77,522
Public Safety	15,929				17,643	33,572
Public Works			24,714		5,753	30,467
Health	1,035				4,436	5,471
Capital Outlay		64,151	12,429	38,500		115,080
Debt Service:						
Interest and Fiscal Charges			2,306			2,306
<i>Total Disbursements</i>	<u>94,486</u>	<u>64,151</u>	<u>39,449</u>	<u>\$38,500</u>	<u>27,832</u>	<u>264,418</u>
<i>Excess of Receipts Over Disbursements</i>	<u>24,034</u>	<u>18,112</u>	<u>9,505</u>		<u>1,222</u>	<u>52,873</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In					4,000	4,000
Transfers Out	(4,000)					(4,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,000)</u>				<u>4,000</u>	
<i>Net Change in Fund Balances</i>	20,034	18,112	9,505		5,222	52,873
<i>Fund Balances Beginning of Year</i>	<u>51,043</u>	<u>54,392</u>	<u>114,983</u>		<u>11,106</u>	<u>231,524</u>
<i>Fund Balances End of Year</i>	<u>\$71,077</u>	<u>\$72,504</u>	<u>\$124,488</u>		<u>\$16,328</u>	<u>\$284,397</u>

See accompanying notes to the basic financial statements



**RICE TOWNSHIP  
SANDUSKY COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$45,947	\$77,000	\$74,948	(\$2,052)
Charges for Services	2,200	2,100	2,016	(84)
Licenses, Permits and Fees	1,300	800	652	(148)
Intergovernmental	39,362	39,960	34,525	(5,435)
Interest	2,100	1,900	1,688	(212)
Other	2,500	2,900	4,691	1,791
<i>Total Receipts</i>	<u>93,409</u>	<u>124,660</u>	<u>118,520</u>	<u>(6,140)</u>
<b>Disbursements</b>				
Current:				
General Government	25,885	97,671	77,522	20,150
Public Safety	8,500	16,900	15,929	971
Health		1,100	1,035	65
Capital Outlay		5,000		5,000
<i>Total Disbursements</i>	<u>34,385</u>	<u>120,671</u>	<u>94,486</u>	<u>26,186</u>
<i>Excess of Receipts Over Disbursements</i>	<u>59,024</u>	<u>3,989</u>	<u>24,034</u>	<u>20,046</u>
<b>Other Financing Uses</b>				
Transfers Out	(4,000)	(4,000)	(4,000)	
<i>Net Change in Fund Balance</i>	55,024	(11)	20,034	20,046
<i>Fund Balance Beginning of Year</i>	<u>51,043</u>	<u>51,043</u>	<u>51,043</u>	
<i>Fund Balance End of Year</i>	<u><u>\$106,067</u></u>	<u><u>\$51,032</u></u>	<u><u>\$71,077</u></u>	<u><u>\$20,046</u></u>

See accompanying notes to the basic financial statements

**RICE TOWNSHIP  
SANDUSKY COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$74,650	\$85,000	\$81,542	(\$3,458)
Interest	350	775	721	(54)
<i>Total Receipts</i>	<u>75,000</u>	<u>85,775</u>	<u>82,263</u>	<u>(3,512)</u>
<b>Disbursements</b>				
Current:				
Capital Outlay		65,000	64,151	849
<i>Net Change in Fund Balance</i>	75,000	20,775	18,112	(2,663)
<i>Fund Balance Beginning of Year</i>	<u>54,392</u>	<u>54,392</u>	<u>54,392</u>	
<i>Fund Balance End of Year</i>	<u><u>\$129,392</u></u>	<u><u>\$75,167</u></u>	<u><u>\$72,504</u></u>	<u><u>(\$2,663)</u></u>

See accompanying notes to the basic financial statements

**RICE TOWNSHIP  
SANDUSKY 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, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$37,802	\$47,000	\$45,370	(\$1,630)
Intergovernmental	4536	3500	3,496	(4)
Other	50	90	88	(2)
<i>Total Receipts</i>	<u>42,388</u>	<u>50,590</u>	<u>48,954</u>	<u>(1,636)</u>
<b>Disbursements</b>				
Current:				
Public Works	25,565	43,121	24,714	18,407
Capital Outlay	56,651	61,651	12,429	49,222
Debt Service:				
Interest and Fiscal Charges	6,673	6,673	2,306	4,367
<i>Total Disbursements</i>	<u>88,889</u>	<u>111,445</u>	<u>39,449</u>	<u>71,996</u>
<i>Net Change in Fund Balance</i>	(46,501)	(60,855)	9,505	70,360
<i>Fund Balance Beginning of Year</i>	<u>114,983</u>	<u>114,983</u>	<u>114,983</u>	
<i>Fund Balance End of Year</i>	<u><u>\$68,482</u></u>	<u><u>\$54,128</u></u>	<u><u>\$124,488</u></u>	<u><u>\$70,360</u></u>

See accompanying notes to the basic financial statements

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 1 – REPORTING ENTITY**

Rice Township, Sandusky 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 Fiscal Officer.

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, fire protection and cemetery maintenance. The Township contracts with the Village of Lindsey and Portage Township Volunteer Fire Department for fire protection. Police protection is provided by the Sandusky County Sheriff.

**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.

Based on this criteria, the Township has no component units.

**C. Public Entity Risk Pool**

The Township participates in one public entity risk pool, the Ohio Township Association Risk Management Authority (OTARMA). Note 6 to the financial statements provide additional information for this entity.

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

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

As discussed further in Note 2.C, 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. In the government-wide financial statements, 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 modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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, 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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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 requirements of 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.

**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 funds of the Township are categorized as governmental.

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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 as follows:

1. **General 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.

2. **Gasoline Tax Fund**

The Gasoline Tax Fund receives state fuel excise taxes to pay for constructing, maintaining, and repairing Township roads.

3. **Road and Bridge Fund**

The Road and Bridge Fund received property tax monies for constructing, maintaining, and repairing Township roads and bridges.

4. **Public Works/Issue II Fund**

The Public Works/Issue II Fund received Issue II monies 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. 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.

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 liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

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

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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 Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

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

**E. Cash**

To improve cash management, cash received by the Township is pooled. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2006 were \$1,688 which includes \$1,264 assigned from other Township funds.

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

**H. Accumulated Leave**

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

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

J. Long-Term Obligations

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

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road and bridge construction, maintenance and repair and fire protection.

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.

**NOTE 3 – 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, road and bridge fund, and public works/issue 2 fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the modified cash basis in as much as the Township cancels outstanding year end encumbrances.

**NOTE 4 – 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.



**RICE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

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. Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township; or collateralized by the financial institution's public entity deposit pool.

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 5 – 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2005, were levied after October 1, 2005, 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 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. 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, 2006, was \$3.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$13,756,010
Agricultural	5,030,860
Commercial/Industrial/Mineral	4,826,500
Tangible Personal Property	
Business	3,793,748
Public Utility	1,385,090
Total Assessed Value	<u><u>\$28,792,208</u></u>

**NOTE 6 – 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.

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 6 – RISK MANAGEMENT – (CONTINUED)**

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 2005 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.

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.

Settlements did not exceed insurance coverage for the past three fiscal years.

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, (the latest information available).

<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>

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 6 – RISK MANAGEMENT – (CONTINUED)**

At December 31, 2006 and 2005, respectively, casualty coverage assets and retained earnings noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims that will be paid subsequent to December 31, 2005 and 2004, respectively. These amounts will be billed and collected from members in the future when the related claims are due for payment. Because OTARMA is a public entity risk pool that shares risk management among its members, a specific liability related to the Township can not be reasonably estimated.

After completing one year of membership, members may withdraw on each anniversary 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 contributions, minus the subsequent year's contribution. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to withdrawal. Withdrawing members have no other future obligation to the pool.

Based on discussions with OTARMA the expected rates charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2006	\$4,818
2005	\$3,950
2004	\$3,976

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Township provides health insurance to its full-time employees through a private carrier.

**NOTE 7 – 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.

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 7 – 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, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.70 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, 2006, 2005, and 2004, were \$7,917, \$8,170, and \$7,703 respectively. The full amount has been contributed for 2006, 2005, and 2004.

**NOTE 8 - 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 2006 local government employer contribution rate was 13.70 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, 2005, include a rate of return on investments of 6.50 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 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after ten 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 as of December 31, 2006, in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$2,311. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

**RICE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 8 - 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.

**NOTE 9 – LEASES**

The Township leases equipment under an installment purchase agreement. The Township disbursed \$14,072 to pay lease costs for the year ended December 31, 2006. Future lease payments are as follows:

Year	Amount
2007	\$14,072
2008	\$14,072
2009	\$14,072
2010	\$7,036
Total	<u>\$49,252</u>

**NOTE 10 – INTERFUND TRANSFER**

During 2006 the following transfer was made:

Transfers from the General Fund to:	
Other Governmental Funds	\$4,000

The transfer represents the allocation of unrestricted receipts collected in the General Fund to help finance the Cemetery Fund in accordance with budgetary authorizations.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Rice Township  
Sandusky County  
1830 County Road 145  
Fremont, Ohio 43420-9330

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 Rice Township, Sandusky County, (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Government's basic financial statements and have issued our report thereon dated May 7, 2007, wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. 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. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Township's management in a separate letter dated May 7, 2007.

#### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated May 7, 2007, 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. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

May 7, 2007



RICE TOWNSHIP  
SANDUSKY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Revised Code § 5705.41(B) – Failure to have adequate appropriations for expenditures.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**RICE TOWNSHIP**  
**SANDUSKY 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**  
**MAY 31, 2007**