

***COLERAIN TOWNSHIP  
BELMONT COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Colerain Township  
53979 Colerain Pike  
Martins Ferry, Ohio 43935

We have reviewed the *Report of Independent Accountants* of Colerain Township, Belmont County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 12, 2006

**This Page is Intentionally Left Blank.**

**COLERAIN TOWNSHIP  
BELMONT COUNTY  
For the Years Ending December 31, 2005 and 2004**

**TABLE OF CONTENTS**

| <u><b>Title</b></u>  | <u><b>Page</b></u> |
|--|--------------------|
| <b>Report of Independent Accountants</b>   | <b>1-2</b>         |
| <b>Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2005</b> | <b>3</b>           |
| <b>Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2004</b> | <b>4</b>           |
| <b>Notes to the Financial Statements</b>   | <b>5-11</b>        |
| <b>Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i></b>           | <b>12-13</b>       |
| <b>Schedule of Findings</b>  | <b>14-15</b>       |
| <b>Schedule of Prior Audit Findings</b>  | <b>16</b>          |

**This Page is Intentionally Left Blank.**

Rockefeller Building  
614 W Superior Ave Ste1242  
Cleveland OH 44113-1306  
Phone - (216) 575-1630  
Fax - (216) 436-2411

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

---

## **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Trustees  
Colerain Township  
Belmont County  
Martins Ferry, Ohio

We have audited the accompanying financial statements of Colerain Township, Belmont County, Ohio as and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Colerain Township, Belmont County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 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 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.

***Charles E. Harris & Associates, Inc.***

June 30, 2006



COLERAIN TOWNSHIP  
 BELMONT COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN FUND CASH BALANCES -  
 ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2005

|   | <u>Governmental<br/>Fund Types</u> |                            | <u>Fiduciary<br/>Fund Types</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|------------------------------------|----------------------------|---------------------------------|---|
|   | <u>General</u>                     | <u>Special<br/>Revenue</u> | <u>Non-Expendable<br/>Trust</u> |   |
| <b>Receipts:</b>  |                                    |                            |                                 |   |
| Property and Other Local Taxes  | \$ 31,707                          | \$ 108,630                 | -                               | \$ 140,337                              |
| Intergovernmental   | 153,776                            | 229,550                    | -                               | 383,326                                 |
| Licenses, Permits and Fees  | -                                  | 50                         | -                               | 50                                      |
| Special Assessments   | -                                  | 946                        | -                               | 946                                     |
| Interest  | 474                                | 115                        | -                               | 589                                     |
| Miscellaneous   | 51                                 | 1,398                      | -                               | 1,449                                   |
| <b>Total Receipts</b>   | <u>186,008</u>                     | <u>340,689</u>             | <u>-</u>                        | <u>526,697</u>                          |
| <b>Disbursements:</b>   |                                    |                            |                                 |   |
| Current:  |                                    |                            |                                 |   |
| General Government  | 82,762                             | 15                         | -                               | 82,777                                  |
| Public Safety   | -                                  | 21,580                     | -                               | 21,580                                  |
| Public Works  | 16,100                             | 235,559                    | -                               | 251,659                                 |
| Health  | 16,709                             | -                          | -                               | 16,709                                  |
| Purchased Services  | -                                  | -                          | \$ 100                          | 100                                     |
| Capital Outlay  | 7,945                              | 89,385                     | -                               | 97,330                                  |
| <b>Total Disbursements</b>  | <u>123,516</u>                     | <u>346,539</u>             | <u>100</u>                      | <u>470,155</u>                          |
| <b>Total Receipts Over(Under) Disbursements</b>   | 62,492                             | (5,850)                    | (100)                           | 56,542                                  |
| <b>Other Financing Sources/(Uses)</b>   |                                    |                            |                                 |   |
| Advances in   | 89,385                             | 89,385                     | -                               | 178,770                                 |
| Advances out  | (89,385)                           | (89,385)                   | -                               | (178,770)                               |
| <b>Total Other Financing Sources/(Uses)</b>   | <u>-</u>                           | <u>-</u>                   | <u>-</u>                        | <u>-</u>                                |
| <b>Excess of Receipts and Other Financing Sources<br/>Over/(Under) Disbursements and Other Financing<br/>Uses</b> | 62,492                             | (5,850)                    | (100)                           | 56,542                                  |
| <b>Fund Balance 1/1/2005</b>  | <u>298,492</u>                     | <u>234,074</u>             | <u>952</u>                      | <u>533,518</u>                          |
| <b>Fund Balance 12/31/2005</b>  | <u>\$ 360,984</u>                  | <u>\$ 228,224</u>          | <u>\$ 852</u>                   | <u>\$ 590,060</u>                       |

See accompanying Notes to the Financial Statements.

COLERAIN TOWNSHIP  
 BELMONT COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN FUND CASH BALANCES -  
 ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2004

|  | <u>Governmental<br/>Fund Types</u> |                            | <u>Fiduciary<br/>Fund Types</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|------------------------------------|----------------------------|---------------------------------|---|
|  | <u>General</u>                     | <u>Special<br/>Revenue</u> | <u>Non-Expendable<br/>Trust</u> |   |
| <b>Receipts:</b>                         |                                    |                            |                                 |   |
| Property and Other Local Taxes           | \$ 30,811                          | \$ 106,160                 | -                               | \$ 136,971                              |
| Intergovernmental                        | 93,782                             | 99,062                     | -                               | 192,844                                 |
| Licenses, Permits and Fees               | -                                  | 50                         | -                               | 50                                      |
| Special Assessments                      | -                                  | 7,097                      | -                               | 7,097                                   |
| Interest                                 | 395                                | 127                        | -                               | 522                                     |
| Miscellaneous                            | -                                  | 47                         | -                               | 47                                      |
| <b>Total Receipts</b>                    | <u>124,988</u>                     | <u>212,543</u>             | <u>-</u>                        | <u>337,531</u>                          |
| <b>Disbursements:</b>                    |                                    |                            |                                 |   |
| Current:                                 |                                    |                            |                                 |   |
| General Government                       | 76,053                             | 23                         | -                               | 76,076                                  |
| Public Safety                            | -                                  | 20,554                     | -                               | 20,554                                  |
| Public Works                             | 30,229                             | 152,270                    | -                               | 182,499                                 |
| Health                                   | 16,748                             | 1,782                      | -                               | 18,530                                  |
| Purchased Services                       | -                                  | -                          | \$ 100                          | 100                                     |
| <b>Total Disbursements</b>               | <u>123,030</u>                     | <u>174,629</u>             | <u>100</u>                      | <u>297,759</u>                          |
| Total Receipts Over(Under) Disbursements | 1,958                              | 37,914                     | (100)                           | 39,772                                  |
| Fund Balance 1/1/2004                    | <u>296,534</u>                     | <u>196,160</u>             | <u>1,052</u>                    | <u>493,746</u>                          |
| <b>Fund Balance 12/31/2004</b>           | <u><u>\$ 298,492</u></u>           | <u><u>\$ 234,074</u></u>   | <u><u>\$ 952</u></u>            | <u><u>\$ 533,518</u></u>                |

See accompanying Notes to the Financial Statements.

**COLERAIN TOWNSHIP**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Colerain Township, Belmont County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by publicly-elected, three-member Board of Trustees. The Township provides general governmental services, road and bridge maintenance, and cemetery services. The Township contracts with the Colerain Volunteer Fire Department, Maynard Volunteer Fire Department, and Barton Volunteer Fire Department, to provide fire protection and emergency medical services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

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

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

C. CASH

Certificates of deposit are valued at cost.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**COLERAIN TOWNSHIP**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Motor Vehicle License Tax Fund – This fund receives motor vehicle tax money for constructing, maintaining and repairing Township roads.
- Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Fiduciary Funds: These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following non-expendable trust fund:

- Hughes-McCarty Cemetery Bequest Fund – This fund receives interest earnings used for the care and decoration of the Hughes-McCarty-Hicks lot in Farmington Cemetery.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Clerk by September 1.

**COLERAIN TOWNSHIP**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E BUDGETARY PROCESS – (Continued)

1. Estimated Resources – (Continued)

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if the Clerk identifies projected increases or decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

**COLERAIN TOWNSHIP**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

|                         | <u>2004</u>       | <u>2005</u>       |  |
|-------------------------|-------------------|-------------------|--|
| Demand deposits         | \$ 432,518        | \$ 489,060        |  |
| Certificates of deposit | <u>101,000</u>    | <u>101,000</u>    |  |
| Total deposits          | <u>\$ 533,518</u> | <u>\$ 590,060</u> |  |

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

3. PROPERTY TAXES

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

**COLERAIN TOWNSHIP**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

3. PROPERTY TAXES – (Continued)

Public utilities are also taxed on personal and real property located within the Township.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs Actual Receipts

| Fund                  | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
|-----------------------|----------------------|--------------------|-----------|
| General Fund          | \$ 94,477            | \$ 275,393         | \$180,916 |
| Special Revenue Funds | 286,379              | 430,074            | 143,695   |

2005 Budgeted vs Actual Budgetary Basis Expenditures

| Fund                  | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance   |
|-----------------------|----------------------------|---------------------------|------------|
| General Fund          | \$ 379,553                 | \$ 212,901                | \$ 166,652 |
| Special Revenue Funds | 508,490                    | 435,924                   | 72,566     |
| Non-Expendable Trust  | 952                        | 100                       | 852        |

2004 Budgeted vs Actual Receipts

| Fund                  | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
|-----------------------|----------------------|--------------------|-----------|
| General Fund          | \$ 92,800            | \$ 124,988         | \$ 32,188 |
| Special Revenue Funds | 190,189              | 212,543            | 22,354    |

2004 Budgeted vs Actual Budgetary Basis Expenditures

| Fund                  | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance   |
|-----------------------|----------------------------|---------------------------|------------|
| General Fund          | \$ 380,000                 | \$ 123,030                | \$ 256,970 |
| Special Revenue Funds | 371,176                    | 174,629                   | 195,547    |
| Non-Expendable Trust  | 1,052                      | 100                       | 952        |

**COLERAIN TOWNSHIP**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

5. RETIREMENT SYSTEM

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. OPERS participants contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of their wages. The Township has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

RISK POOL MEMBERSHIP

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

Casualty Coverage

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

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

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.



**COLERAIN TOWNSHIP  
BELMONT COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

6. RISK MANAGEMENT – (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31 (latest information available):

| <u>Casualty Coverage</u> | <u>2004</u>         | <u>2003</u>         |
|--------------------------|---------------------|---------------------|
| Assets                   | \$30,687,203        | \$27,792,223        |
| Liabilities              | <u>(13,640,962)</u> | <u>(11,791,300)</u> |
| Retained Earnings        | <u>\$17,046,241</u> | <u>\$16,000,923</u> |

| <u>Property Coverage</u> | <u>2004</u>         | <u>2003</u>         |
|--------------------------|---------------------|---------------------|
| Assets                   | \$ 7,799,073        | \$ 6,791,060        |
| Liabilities              | <u>(753,906)</u>    | <u>(750,956)</u>    |
| Retained Earnings        | <u>\$ 7,045,167</u> | <u>\$ 6,040,104</u> |

7. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland, OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

---

---

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

Colerain Township  
Belmont County  
Martins Ferry, Ohio 43935

We have audited the accompanying financial statements of Colerain Township, Belmont County, Ohio (the "Township") as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 30, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 30, 2006.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2005-CTBC-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 30, 2006.

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

***Charles E. Harris and Associates, Inc.***  
June 30, 2006

**COLERAIN TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

|   |
|---|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS</b> |
|---|

**FINDING NUMBER 2005-CTBC-001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41 (D), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less that \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Township.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**COLERAIN TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2005 AND 2004**

|  |
|--|
| <p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS – (Continued)</b></p> |
|--|

**FINDING NUMBER 2005-CTBC-001  
(Continued)**

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Sixteen percent of transactions tested for 2005 and 2004 did not include prior certification of the availability of funds by the Clerk, nor was there evidence of a “Then and Now” certificate being used. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

We recommend the Township’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

The Clerk will review budgetary requirements, including purchasing.

COLERAIN TOWNSHIP  
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004

| FINDING NUMBER | FUNDING SUMMARY  | FULLY CORRECTED? | Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain |
|----------------|--|------------------|--|
| 2003-001       | Contrary to Ohio Revised Code Sections 507.09(A)(5) and (D)(4)-(5), the Township overpaid the Clerk. | YES              | The Township paid the Clerk according to the Ohio Revised Code.  |
| 2003-002       | Contrary to Ohio Revised Code Section 5705.41(D)(1), the Township did not certify all disbursements. | NO               | Repeated as finding Number 2005-CTBC-002.  |
| 2003-003       | The Township Clerk did not accurately enter estimated receipts into the Uniform Accounting Network.  | NO               | Reported in Management Letter.   |



**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**COLERAIN TOWNSHIP**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 26, 2006**