



**Auditor of State  
Betty Montgomery**



COLUMBIA TOWNSHIP  
LORAIN COUNTY

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**Auditor of State  
Betty Montgomery**

Columbia Township  
Lorain County  
25496 Royalton Road  
Columbia Station, Ohio 44028

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Betty Montgomery**  
Auditor of State

August 31, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Columbia Township  
Lorain County  
25496 Royalton Road  
Columbia, Ohio 44028

To the Board of Trustees:

We have audited the accompanying financial statements of Columbia Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2005 and December 31, 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 also 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 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 December 31, 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 this 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 and December 31, 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 December 31, 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 and reserves for encumbrances of Columbia Township, Lorain County, Ohio, as of December 31, 2005 and December 31, 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 year ended December 31, 2005 and December 31, 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 August 31, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

August 31, 2006

**COLUMBIA TOWNSHIP  
LORAIN 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 Fund Types</u>		<u>Fiduciary Fund</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$131,309	\$886,980	\$0	\$1,018,289
Intergovernmental	198,230	364,174	0	562,404
Special Assessments	0	17,459	0	17,459
Charges for Services	0	114,933	0	114,933
Licenses, Permits, and Fees	94,139	7,363	0	101,502
Fines, Forfeitures, and Penalties	0	0	0	0
Earnings on Investments	21,239	2,026	0	23,265
Other Revenue	50,303	27,082	602	77,987
	<u>495,220</u>	<u>1,420,017</u>	<u>602</u>	<u>1,915,839</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	294,662	0	0	294,662
Public Safety	84,160	281,986	0	366,146
Public Works	54,067	596,342	0	650,409
Health	967	271,148	0	272,115
Human Services	0	0	0	0
Conservation - Recreation	25,155	0	0	25,155
Miscellaneous	6,662	0	602	7,264
Debt Service:				
Redemption of Principal	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Capital Outlay	40,144	220,094	0	260,238
	<u>505,817</u>	<u>1,369,570</u>	<u>602</u>	<u>1,875,989</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(10,597)</u>	<u>50,447</u>	<u>0</u>	<u>39,850</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Bonds	0	0	0	0
Sale of Notes	0	0	0	0
Other Proceeds from Sale of Public Debt	0	0	0	0
Sale of Fixed Assets	0	0	0	0
Transfers-In	0	0	0	0
Advances-In	57,788	57,788	0	115,576
Transfers-Out	0	0	0	0
Advances-Out	(57,788)	(57,788)	0	(115,576)
Other Sources	0	0	0	0
Other Uses	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,597)	50,447	0	39,850
Fund Cash Balances, January 1	<u>588,893</u>	<u>250,270</u>	<u>189</u>	<u>839,352</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$578,296</u></b>	<b><u>\$300,717</u></b>	<b><u>\$189</u></b>	<b><u>\$879,202</u></b>
<b>Reserve for Encumbrances, December 31</b>	<b><u>\$9,779</u></b>	<b><u>\$12,467</u></b>	<b><u>\$0</u></b>	<b><u>\$22,246</u></b>

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

**COLUMBIA TOWNSHIP  
LORAIN 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**

	Governmental Fund Types			Fiduciary Fund	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
<b>Cash Receipts:</b>					
Local Taxes	\$128,550	\$845,818	\$0	\$0	\$974,368
Intergovernmental	218,677	261,656	22,574	0	502,907
Special Assessments	0	16,225	0	0	16,225
Charges for Services	0	102,061	0	0	102,061
Licenses, Permits, and Fees	86,277	20,687	0	0	106,964
Fines, Forfeitures, and Penalties	0	0	0	0	0
Earnings on Investments	9,114	495	0	0	9,609
Other Revenue	20,522	42,230	0	225	62,977
<b>Total Cash Receipts</b>	<b>463,140</b>	<b>1,289,172</b>	<b>22,574</b>	<b>225</b>	<b>1,775,111</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	285,651	0	0	0	285,651
Public Safety	64,158	266,544	0	0	330,702
Public Works	48,690	621,399	0	0	670,089
Health	3,787	249,625	0	0	253,412
Human Services	0	0	0	0	0
Conservation - Recreation	21,967	32,017	0	0	53,984
Miscellaneous	10,552	0	0	225	10,777
Debt Service:	0	0	0	0	0
Redemption of Principal	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
Capital Outlay	19,071	63,359	22,574	0	105,004
<b>Total Cash Disbursements</b>	<b>453,876</b>	<b>1,232,944</b>	<b>22,574</b>	<b>225</b>	<b>1,709,619</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>9,264</b>	<b>56,228</b>	<b>0</b>	<b>0</b>	<b>65,492</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Sale of Bonds	0	0	0	0	0
Sale of Notes	0	0	0	0	0
Other Proceeds from Sale of Public Debt	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0
Transfers-In	0	0	0	0	0
Advances-In	52,548	52,548	0	0	105,096
Transfers-Out	0	0	0	0	0
Advances-Out	(52,548)	(52,548)	0	0	(105,096)
Other Sources	0	0	0	0	0
Other Uses	0	0	0	0	0
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,264	56,228	0	0	65,492
Fund Cash Balances, January 1	579,629	194,042	0	189	773,860
<b>Fund Cash Balances, December 31</b>	<b>\$588,893</b>	<b>\$250,270</b>	<b>\$0</b>	<b>\$189</b>	<b>\$839,352</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$930</b>	<b>\$3,058</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,988</b>

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

**COLUMBIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Columbia Township, Lorain County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township's police protection is provided by the Lorain County Sheriff's Department.

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

**B. Basis of Accounting**

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

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

**C. Cash**

The Township did not have any investments during fiscal years 2005 and 2004. The Township values certificates of deposit at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**COLUMBIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Fire Levy Fund – This fund is used to defer expenses incurred in the operations of the Township's fire department.

**3. Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project fund:

Public Works Commission Project - This fund accounts for Issue II grants received from the State of Ohio for Township road projects.

**4. Fiduciary Fund (Agency Fund)**

This fund is used to account for funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Building Standards Fee Assessment Fund – This fund is used to collect and remit a three percent assessment of permit fees to the Board of Building Standards.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. A summary of 2005 and 2004 budgetary activity appears in Note 3.

**COLUMBIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH**

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

	2005	2004
Demand deposits	\$872,540	\$839,352
Certificates of deposit	6,662	0
Total deposits and investments	\$879,202	\$839,352

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$479,868	\$495,220	\$15,352
Special Revenue	\$1,419,265	1,420,017	752
Agency	455	602	147
Total	\$1,899,588	\$1,915,839	\$16,251

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,067,832	\$515,596	\$552,236
Special Revenue	\$1,666,477	1,382,037	284,440
Agency	643	602	41
Total	\$2,734,952	\$1,898,235	\$836,717

**COLUMBIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$443,418	\$463,140	\$19,722
Special Revenue	1,252,931	1,289,172	36,241
Capital Projects	37,509	22,574	(14,935)
Agency	300	225	(75)
Total	\$1,734,158	\$1,775,111	\$40,953

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,022,055	\$454,806	\$567,249
Special Revenue	1,440,353	1,236,002	204,351
Capital Projects	37,509	22,574	14,935
Agency	490	225	265
Total	\$2,500,407	\$1,713,607	\$786,800

**4. PROPERTY TAX**

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

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

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

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

**COLUMBIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. RETIREMENT SYSTEMS**

Township 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Township has paid all contributions required through December 31, 2005.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

**Casualty Coverage**

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

**COLUMBIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

**COLUMBIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$19,480 for fiscal year 2004 and \$18,852 for fiscal year 2005.

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**Auditor of State  
Betty Montgomery**

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

Columbia Township  
Lorain County  
25496 Royalton Road  
Columbia Station, Ohio 44044

To the Board of Trustees:

We have audited the financial statements of Columbia Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated August 31, 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 also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 and 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Township's management dated August 31, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2005-003. In a separate letter to the Township's management dated August 31, 2006, we reported another matter related to noncompliance we deemed immaterial.

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



**Betty Montgomery**  
Auditor of State

August 31, 2006

**COLUMBIA TOWNSHIP  
LORAIN COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2005- 001</b>
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**Preparation of Township’s Annual Report**

The Township is required by Ohio Rev. Code Section 117.38 to file its annual financial statements with the Auditor of State. Although, the annual financial statements for 2005 and 2004 were filed in a timely manner, several adjustments were deemed necessary to accurately capture the Township’s financial activity for the two year period. For example, the Agency Fund 9001, established for building permit activity, was reclassified to the General Fund, in 2004. The Agency Fund 9005, established for park grant activity, was reclassified to the Special Revenue Funds, in 2004. Additionally, ambulance receipts were reclassified from the financial statement line item “other revenue” to “charges for services,” in 2005 and 2004. There were various fire grant funds (i.e., a Training Grant and FEMA Grant) which were reclassified from “other revenue” to “intergovernmental revenue,” in 2005. Also, there were General Fund receipts that were reclassified from “intergovernmental revenue” to “licenses, permits, and fees revenue.” Other similar adjustments were made to the Township’s annual financial statements which required additional audit procedures.

We recommend when the Township has any uncertainty when classifying funds, receipts, expenditures or other items when preparing its annual financial report to contact an appropriate source for guidance. That source may include the Auditor of State; however, the Township must recognize the Independence Standards that keep the Auditor of State from compromising it’s independence with the Township. Routine advice does not compromise this principle. The Township must practice due diligence in preparing its annual financial report.

**Officials’ Response**

The Fiscal Office will seek guidance from the State Auditor when there is any uncertainty in classifying funds, receipts, expenditures or other items when preparing its annual financial report.

<b>Finding Number</b>	<b>2005- 002</b>
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**Proper Posting of Receipts**

During our testing of receipts we noted that the following receipts were misposted in 2005 and 2004.

- Public utility reimbursement was posted to other revenue in both years;
- Exempt personal property tax was posted to taxes in both years;
- Special assessments for the General Fund were posted to taxes in 2004;
- One permissive tax receipt (taxes) was posted to intergovernmental, rather than taxes during 2004;
- Activity associated with the Township’s share of building permits was posted to an agency fund instead of the general fund during 2004;
- Commercial building permits posted to the General Fund in 2005 were posted as intergovernmental revenue;
- Activity associated with a park grant was posted to an agency fund instead of special revenue during 2004;
- Fire Grants (i.e., Training, FEMA Grant, etc.) were posted to other revenue in both years;
- Tax refunds were posted to other revenue during 2004;

**COLUMBIA TOWNSHIP  
LORAIN COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2005- 002</b>
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**Proper Posting of Receipts (Continued)**

- Ambulance charges were posted to other revenue in both years;
- Two Ambulance charges were posted to an incorrect fund during 2005; and
- Various fees, including cellular tower fees were posted to other revenue in both years.

Most of the amounts were material to the financial statements and the changes are reflected in the Township's financial statements. The same errors were brought to management's attention in the prior audit; however, the changes were not posted to the Township's ledgers.

We recommend the Township post receipts to the proper fund and line item in accordance with the revenue's purpose and have an individual who did not post receipts review receipt postings for accuracy.

**Officials' Response**

The Fiscal Officer will seek guidance from the State Auditor or County Auditor when unsure of the proper fund to post receipts.

<b>Finding Number</b>	<b>2005- 003</b>
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**Proper Encumbering of Funds**

Ohio Rev. Code Section 5705.41 (D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated 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.

1. **"Then and Now" certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time 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 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**COLUMBIA TOWNSHIP  
LORAIN COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2005- 003</b>
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**Proper Encumbering of Funds (Continued)**

Amounts less than \$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 expenditures by the Township.

- 2. 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.
  
- 3. 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 predictable operating expense. This certification is not extended beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Ten of seventy-eight (13 percent) non-payroll expenditures were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials’ Response**

The Fiscal Officer will make an attempt to utilize “then and now” certificates when invoice dates precede the purchase order date.

**COLUMBIA TOWNSHIP  
LORAIN COUNTY  
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	Proper posting of receipts – several items noted whereby Township failed to properly post receipts.	No	Not corrected.



**Auditor of State  
Betty Montgomery**

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**COLUMBIA TOWNSHIP**

**LORAIN 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  
OCTOBER 19, 2006**