

COLERAIN TOWNSHIP
ROSS COUNTY, OHIO

Audited Financial Statements

For the Year Ended December 31, 2005



Mary Taylor, CPA
Auditor of State

Board of Trustees
Colerain Township
656 Spencer Road
Kingston, Ohio 45644

We have reviewed the *Independent Auditor's Report* of Colerain Township, Ross County, prepared by Van Krevel and Company, CPA's, for the audit period January 1, 2005 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.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 19, 2007

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Colerain Township
Ross County, Ohio

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Independent Auditor's Report

Colerain Township
Ross County
656 Spencer Road
Kingston, Ohio 45644

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 Colerain Township, Ross County, Ohio (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express 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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash basis of accounting. This is a comprehensive 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 Colerain Township, Ross County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position, and the respective budgetary comparisons for the General, Gasoline Tax, and Special Fire Levy Funds for the year then ended on the basis of accounting described in Note 2.

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

The aforementioned revision in generally accepted principles also requires Colerain Township to include Management's Discussion and Analysis for the year ended December 31, 2005. Colerain 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.

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Colerain Township
Ross County, Ohio
Independent Auditor's Report
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In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Van Krevel & Company".

Van Krevel & Company
Dublin, Ohio

January 31, 2007

Colerain Township
Ross County, Ohio

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

	<u>Governmental Activities</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$272,447
Certificates of Deposit	<u>70,000</u>
Total Assets	<u>\$342,447</u>
NET ASSETS	
Restricted:	
Other Purposes	\$181,032
Unrestricted	<u>161,415</u>
Total Net Assets	<u>\$342,447</u>

Colerain Township
Ross County, Ohio

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

		<u>Program Cash Receipts</u>		Net (Disbursements) Receipts and Changes in Net Assets
	<u>Cash</u> <u>Disbursements</u>	Charges For Services and Sales	Operating Grants and Contributions	Governmental <u>Activities</u>
Governmental Activities:				
General Government	\$ 57,611	\$	\$	\$ (57,611)
Public Safety	72,419			(72,419)
Public Works	148,650			(148,650)
Other			400	400
Capital Outlay	<u>56,750</u>	<u> </u>	<u>56,750</u>	<u> </u>
Total Governmental Activities	<u>\$335,430</u>	<u>\$ </u>	<u>\$57,150</u>	\$(278,280)
General Receipts:				
Property Taxes				\$ 131,873
Other Taxes				99,546
Grants and Entitlements not Restricted to Specific Programs				82,576
Sale of Fixed Assets				480
Earnings on Investments				7,244
Miscellaneous				<u>3,601</u>
Total General Receipts				<u>325,320</u>
Changes in Net Assets				47,040
Net Assets-Beginning of the Year				<u>295,407</u>
Net Assets-End of the Year				<u>\$ 342,447</u>

Colerain Township
Ross County, Ohio

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

	<u>General</u>	<u>Gasoline Tax</u>	<u>Special Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 91,415	\$66,474	\$102,680	\$11,878	\$272,447
Certificates of Deposit	<u>70,000</u>	<u> </u>	<u> </u>	<u> </u>	<u>70,000</u>
Total Assets	<u>\$161,415</u>	<u>\$66,474</u>	<u>\$102,680</u>	<u>\$11,878</u>	<u>\$342,447</u>
Fund Balances:					
Unreserved:					
Undesignated, Reported in:					
General Fund	\$161,415	\$	\$	\$	\$161,415
Special Revenue Funds	<u> </u>	<u>66,474</u>	<u>102,680</u>	<u>11,878</u>	<u>181,032</u>
Total Fund Balances	<u>\$161,415</u>	<u>\$66,474</u>	<u>\$102,680</u>	<u>\$11,878</u>	<u>\$342,447</u>

Colerain Township
Ross County, Ohio

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

	<u>General</u>	<u>Gasoline Tax</u>	<u>Special Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receipts:					
Property and Other Local Taxes	\$ 22,194	\$	\$ 95,619	\$ 14,060	\$131,873
Intergovernmental	78,391	77,233	11,520	71,728	238,872
Earnings on Investments	5,999	869		376	7,244
Miscellaneous	<u>70</u>	<u></u>	<u>400</u>	<u>42</u>	<u>512</u>
Total Receipts	<u>106,654</u>	<u>78,102</u>	<u>\$107,539</u>	<u>86,206</u>	<u>378,501</u>
Disbursements:					
Current:					
General Government	54,885	675	2,051		57,611
Public Safety			72,419		72,419
Public Works	10,425	69,524		68,701	148,650
Capital Outlay	<u></u>	<u></u>	<u></u>	<u>56,750</u>	<u>56,750</u>
Total Disbursements	<u>65,310</u>	<u>70,199</u>	<u>74,470</u>	<u>125,451</u>	<u>335,430</u>
Excess of Receipts Over (Under) Disbursements	41,344	7,903	33,069	(39,245)	43,071
Other Financing Sources (Uses)					
Sale of Fixed Assets			480		480
Other Financing Sources	<u></u>	<u></u>	<u>3,489</u>	<u></u>	<u>3,489</u>
Total Other Financing Sources (Uses)	-	-	3,969	-	3,969
Net Change in Fund Balances	41,344	7,903	37,038	(39,245)	47,040
Fund Balances, January 1	<u>120,071</u>	<u>58,571</u>	<u>65,642</u>	<u>51,123</u>	<u>295,407</u>
Fund Balances, December 31	<u>\$161,415</u>	<u>\$ 66,474</u>	<u>\$102,680</u>	<u>\$ 11,878</u>	<u>\$342,447</u>

Colerain Township
Ross County, Ohio

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

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts:				
Property and Other Local Taxes	\$ 21,140	\$ 21,140	\$ 22,194	\$ 1,054
Intergovernmental	43,922	80,278	78,391	(1,887)
Earnings on Investments	1,750	1,750	5,999	4,249
Miscellaneous	<u>-</u>	<u>52</u>	<u>70</u>	<u>18</u>
Total Receipts	<u>66,812</u>	<u>103,220</u>	<u>106,654</u>	<u>3,434</u>
Disbursements:				
Current:				
General Government	74,900	74,900	54,885	20,015
Public Works	76,000	76,000	10,425	65,575
Health	1,000	37,282	-	37,282
Capital Outlay	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Disbursements	<u>176,900</u>	<u>213,182</u>	<u>65,310</u>	<u>147,872</u>
Excess of Receipts Over (Under) Disbursements	(110,088)	(109,962)	41,344	151,306
Other Financing Sources (Uses):				
Transfers Out	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>
Total Other Financing Sources (Uses)	(5,000)	(5,000)	-	5,000
Net Change in Fund Balance	(115,088)	(114,962)	41,344	156,306
Fund Balances, January 1	<u>120,071</u>	<u>120,071</u>	<u>120,071</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 4,983</u>	<u>\$ 5,109</u>	<u>\$161,415</u>	<u>\$156,306</u>

Colerain Township
Ross County, Ohio

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

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts:				
Intergovernmental	\$ 65,000	\$ 70,547	\$ 77,233	\$ 6,686
Earnings on Investments	<u>400</u>	<u>400</u>	<u>869</u>	<u>469</u>
Total Receipts	<u>65,400</u>	<u>70,947</u>	<u>78,102</u>	<u>7,155</u>
Disbursements:				
Current:				
General Government	-	700	675	25
Public Works	<u>117,500</u>	<u>122,347</u>	<u>69,524</u>	<u>52,823</u>
Total Disbursements	<u>117,500</u>	<u>123,047</u>	<u>70,199</u>	<u>52,848</u>
Excess of Receipts Over (Under) Disbursements	(52,100)	(52,100)	7,903	60,003
Fund Balances, January 1	<u>58,571</u>	<u>58,571</u>	<u>58,571</u>	-
Fund Balances, December 31	<u>\$ 6,471</u>	<u>\$ 6,471</u>	<u>\$ 66,474</u>	<u>\$ 60,003</u>

Colerain Township
Ross County, Ohio

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

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts:				
Property and Other Local Taxes	\$ 90,251	\$ 90,251	\$ 95,619	\$ 5,368
Intergovernmental	10,027	10,410	11,520	1,110
Miscellaneous	<u>-</u>	<u>400</u>	<u>400</u>	<u>-</u>
Total Receipts	<u>100,278</u>	<u>101,061</u>	<u>107,539</u>	<u>6,478</u>
Disbursements:				
Current:				
General Government	2,500	2,500	2,051	449
Public Works	<u>87,501</u>	<u>91,709</u>	<u>72,419</u>	<u>19,290</u>
Total Disbursements	<u>90,001</u>	<u>94,209</u>	<u>74,470</u>	<u>19,739</u>
Excess of Receipts Over (Under) Disbursements	10,277	6,852	33,069	26,217
Other Financing Sources (Uses):				
Sale of Fixed Assets		480	480	-
Transfers Out	(75,000)	(75,000)		75,000
Other Financing Sources	<u>-</u>	<u>3,489</u>	<u>3,489</u>	<u>-</u>
Total Other Financing Sources (Uses)	(75,000)	(71,031)	3,969	75,000
Net Change in Fund Balance	(64,723)	(64,179)	37,038	101,217
Fund Balances, January 1	<u>65,642</u>	<u>65,642</u>	<u>65,642</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 919</u>	<u>\$ 1,463</u>	<u>\$102,680</u>	<u>\$101,217</u>

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 1 REPORTING ENTITY

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

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general governmental services, including road and bridge maintenance, fire protection and emergency services. The Township contracts with the Village of Laurelville, Green Township, Salt Creek Tarlton Volunteer Fire Department and the Pickaway County Volunteer Firefighters Association to provide mutual assistance fire services.

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 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 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. The Township does not have any component units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non exchange transactions. Colerain Township has no business type activities.

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

Governmental Funds

The Township classified funds financed primarily from taxes, intergovernmental receipts (e.g., grants) and other non exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund and Special Fire Levy Fund.

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 the State of Ohio.

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds (continued)

Gasoline Tax Fund

This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Special Fire Levy Fund

This fund receives fire tax levy money and intergovernmental receipts for the purpose of providing fire and emergency medical services to the residents of the Township.

Other Governmental Funds

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

C Basis of Accounting

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

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

D Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D Budgetary Process (continued)

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

E Cash and Investments

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

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2005, the Township invested in a certificate of deposit. The certificate of deposit is reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$5,999.

F Restricted Assets

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

G Inventory and Prepaid Items

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

H Capital Assets

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

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I Interfund Receivables/Payables

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

J Accumulated Leave

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

K Employer Contributions to Cost Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and post retirement health care benefits.

L Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. 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.

M Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for constructing, maintaining, and repairing Township roads ; and providing fire and EMS protection. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted or unrestricted net assets are available. At year end, net assets restricted for other purposes totaled \$181,032.

N Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances. The Township did not have any fund balance reserves at December 31, 2005.

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O Interfund Transactions

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

NOTE 3 CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

For 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For 2005, the Township has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non major funds aggregated and presented in a single column rather than a column for each fund type. The transition from the regulatory basis of accounting to the modified cash basis of accounting did not have any impact on the fund balances of the Township.

NOTE 4 BUDGETARY BASIS OF ACCOUNTING

The budgetary basis of accounting as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual - Budgetary Basis that are presented for the General Fund, Gasoline Tax Fund and the Special Fire Levy Fund were prepared on the budgetary basis to provide meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis of accounting is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). There were no encumbrances outstanding at December 31, 2005.

NOTE 5 DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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.

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 5 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 % 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).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), and by collateral pledged to the Township by the financial institution to secure the repayment of all public monies deposited with the institution.

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.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At December 31, 2005, the Township had no money in undeposited cash on hand.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reserve Repurchase Agreements."

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 5 DEPOSITS AND INVESTMENTS (continued)

Deposits

At year end, the Township maintained deposits at Kingston National Bank. The carrying and bank balances of the Township's deposits at December 31, 2005 were \$272,447 and \$287,925, respectively. Of the bank balance, \$100,000 was covered by the Federal Depository Insurance; and up to \$350,000 was protected by a Memorandum of Agreement for Deposit of Public Funds at Kingston National Bank.

As of December 31, 2005, the Township had the following certificate of deposit at Kingston National Bank:

	<u>Carrying Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 70,000	7/26/06

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, \$257,925 of the Township's bank balance was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited 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 105% of the deposits being secured.

Investments

The Township had no investments at December 31, 2005.

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirement for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14 (M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 6 PROPERTY TAX

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

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

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

The full tax rate for all Township operations for the year ended December 31, 2005 was \$4.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

	<u>2005</u>
Real Property	
Residential	\$13,812,330
Agriculture	4,750,860
Commercial/Industrial/Mineral	313,950
Public Utility Property	
Real	-
Personal	1,841,250
Tangible Personal Property	<u>544,670</u>
Total Assessed Value	<u>\$21,263,060</u>

NOTE 7 RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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.

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 7 RISK MANAGEMENT (continued)

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 \$500,000,000 per occurrence.

Beginning in 2005, The Travelers Indemnity Company 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 claim payments on covered losses. Claims exceeding coverage limits are the obligations 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 contributions, 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:

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 7 RISK MANAGEMENT (continued)

Financial Position (continued)

<u>Casualty Coverage</u>	<u>2005</u>
Assets	\$30,485,638
Liabilities	<u>(12,344,576)</u>
Retained Earnings	<u>\$18,141,062</u>
<u>Property Coverage</u>	<u>2005</u>
Assets	\$ 9,177,796
Liabilities	<u>(1,406,031)</u>
Retained Earnings	<u>\$ 7,771,765</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Townships's share of these unpaid claims is approximately \$23,620.

NOTE 8 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 plan is a defined contribution plan in which the member invests both member and employer contributions. (Employer contributions vest over a 5 year period at the rate of 20% 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 this plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions are self-directed by the member and accumulate retirement assets in a manner similar to the member directed plan.

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

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5% of their annual covered salaries. The Township's pension contributions were 13.55% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Colerain Township
Ross County, Ohio

Notes to the Financial Statements
December 31, 2005

NOTE 9 POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post retirement health care coverage to age and service retirees with ten or more years of service of qualifying 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 post retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment 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 post retirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll; 4% 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' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between 1% and 6% annually for the next eight years and 4% annually after eight years.

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

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.



INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Colerain Township
Ross County
656 Spencer Road
Kingston, Ohio 45644

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of Colerain Township, Ross County, Ohio (the Township) as of and for the year ended December 31, 2005, which collectively comprise the township's basic financial statements, and have issued our report thereon dated January 31, 2007, wherein we noted that the Township revised its financial statements for 2005, making them comparable to the requirements of Government Auditing Standard No. 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local 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 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 assurance on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of 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 operations that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of Colerain Township in a separate letter dated January 31, 2007.

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Colerain Township
Ross County, Ohio
Independent Accountant's Report on Internal Control Over Financial Reporting
and on Compliance with Other Matters Based on an Audit of Financial Statements
Performed in accordance with *Government Auditing Standards*

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, contract and grant agreements, non-compliance with which could have a direct and material effect 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Van Krevel & Company
Dublin, Ohio

January 31, 2007



Mary Taylor, CPA
Auditor of State

COLERAIN TOWNSHIP

ROSS 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 2, 2007**