



Mary Taylor, CPA  
Auditor of State



COAL TOWNSHIP  
PERRY COUNTY

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Mary Taylor, CPA  
Auditor of State

Coal Township  
Perry County  
5119 Township Road 495 SE  
New Straitsville, Ohio 43766

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 an 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 adverse 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 3, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Coal Township  
Perry County  
5119 Township Road 495 SE  
New Straitsville, Ohio 43766

To the Board of Trustees:

We have audited the accompanying financial statements of Coal Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Coal Township, Perry County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 3, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

October 3, 2007



**COAL TOWNSHIP  
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$9,580	\$50,167	\$59,747
Intergovernmental	7,453	95,602	103,055
Earnings on Investments	473	2,836	3,309
Miscellaneous	48		48
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	17,554	148,605	166,159
<b>Cash Disbursements:</b>			
Current:			
General Government	21,748	169	21,917
Public Safety		28,849	28,849
Public Works		81,820	81,820
Health		16,078	16,078
Conservation - Recreation		2,279	2,279
Capital Outlay		50,307	50,307
Debt Service:			
Redemption of Principal		4,786	4,786
Interest and Other Fiscal Charges		1,011	1,011
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	21,748	185,299	207,047
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> (4,194)	<hr/> (36,694)	<hr/> (40,888)
<b>Other Financing Receipts / (Disbursements):</b>			
Proceeds of Loan		23,157	23,157
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	0	23,157	23,157
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(4,194)	(13,537)	(17,731)
Fund Cash Balances, January 1	<hr/> 9,414	<hr/> 67,142	<hr/> 76,556
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$5,220</b>	<hr/> <b>\$53,605</b>	<hr/> <b>\$58,825</b>

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

**COAL TOWNSHIP  
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$8,965	\$49,872	\$58,837
Intergovernmental	9,065	88,665	97,730
Earnings on Investments	211	878	1,089
Miscellaneous	29		29
Total Cash Receipts	<u>18,270</u>	<u>139,415</u>	<u>157,685</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	18,807	6,426	25,233
Public Safety		22,673	22,673
Public Works		102,318	102,318
Health		16,255	16,255
Capital Outlay		17,227	17,227
Debt Service:			
Redemption of Principal		2,779	2,779
Interest and Other Fiscal Charges		696	696
Total Cash Disbursements	<u>18,807</u>	<u>168,374</u>	<u>187,181</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(537)</u>	<u>(28,959)</u>	<u>(29,496)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Proceeds of Loan		10,197	10,197
Total Other Financing Receipts / (Disbursements)	<u>0</u>	<u>10,197</u>	<u>10,197</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(537)	(18,762)	(19,299)
Fund Cash Balances, January 1	<u>9,951</u>	<u>85,904</u>	<u>95,855</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$9,414</u></b>	<b><u>\$67,142</u></b>	<b><u>\$76,556</u></b>

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

**COAL TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**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 Coal Township, Perry County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of New Straitsville to provide fire and emergency medical services.

The Township participates in the New Straitsville-Coal Township Union Cemetery, a jointly governed organization, and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities.

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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. Fund Accounting**

The Township uses fund accounting to segregate cash that is 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Fire Truck Fund - This fund receives property tax money for the purchase of fire protection equipment.

**COAL TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

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

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

**D. 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**E. 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.

**2. Equity in Pooled Cash**

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

	<u>2005</u>	<u>2006</u>
Demand deposits	\$76,556	\$58,825

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**COAL TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,605	\$17,554	(\$51)
Special Revenue	120,621	171,762	51,141
Total	\$138,226	\$189,316	\$51,090

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$25,784	\$21,748	\$4,036
Special Revenue	182,836	185,299	(2,463)
Total	\$208,620	\$207,047	\$1,573

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,684	\$18,270	\$1,586
Special Revenue	108,966	149,612	40,646
Total	\$125,650	\$167,882	\$42,232

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,000	\$18,807	\$8,193
Special Revenue	187,581	168,374	19,207
Total	\$214,581	\$187,181	\$27,400

Contrary to Ohio law, amendments to appropriations, at the legal level of control, were not always approved by the Township Trustees or certified by the County Auditor. In addition, contrary to Ohio law, expenditures were made in excess of appropriations in the Gasoline Tax Fund for 2005 and 2006, and in the Cemetery and Emergency Medical Services Funds for 2005.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax 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.

**COAL TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. Property Tax (Continued)**

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.

**5. Debt**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2005 Truck Loan	\$16,039	4.75%
2006 Tractor Loan	9,751	5.50%
Total	<u>\$25,790</u>	

On April 13, 2005, the Township entered into a loan with Peoples National Bank to finance the purchase of a new dump truck for Township road maintenance. In addition, on September 7, 2006, the Township entered into a loan with Peoples National Bank to finance the purchase of a tractor for Township road maintenance. The truck and tractor serve as the collateral for these loans.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending <u>December 31:</u>	<u>Truck Loan</u>	<u>Tractor Loan</u>
2007	\$5,213	\$2,337
2008	5,213	2,337
2009	5,213	2,337
2010	1,738	2,337
2011		1,753
Total	<u>\$17,377</u>	<u>\$11,101</u>

**6. Retirement System**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**COAL TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management**

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. 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 2006 was \$1,901,127.

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 government.

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

**COAL TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management (Continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$5,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<b><u>Contributions to OTARMA</u></b>	
2004	\$1,375
2005	\$2,509
2006	\$2,577



**COAL TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management (Continued)**

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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 budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**8. Jointly Governed Organization**

The New Straitsville-Coal Township Union Cemetery is a jointly governed organization of the Township. The Board of Trustees of the Union Cemetery is appointed by Coal Township and the Village of New Straitsville. Taxes levied by the Township for cemetery maintenance are collected by Perry County, and distributed to the Township, which then distributes the proceeds to the Union Cemetery. During fiscal year 2005 and 2006, the Township contributed \$15,573 and \$15,600 in taxes levied to the Union Cemetery, respectively. The Union Cemetery is a legally separate entity that prepares and files its own financial statements. The financial activity of the Union Cemetery is not included in the accompanying financial statements. Independent audits of the Union Cemetery are performed by the Auditor of State.

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# Mary Taylor, CPA

Auditor of State

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

Coal Township  
Perry County  
5119 Township Road 495 SE  
New Straitsville, Ohio 43766

To the Board of Trustees:

We have audited the financial statements of Coal Township, Perry County (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 3, 2007 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-005.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 3, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 3, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 3, 2007

COAL TOWNSHIP  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

**Material Noncompliance and Significant Deficiency**

Ohio Admin. Code § 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Fiscal Officer did not properly post amendments made to estimated receipts to the accounting system. Variances existed between the amended certificate of estimated resources and the amounts posted to the accounting system for 2005. The following table details these variances:

<u>Fund</u>	<u>Amount Per Last Amended Amended Certificate</u>	<u>Amount Posted to the Accounting System</u>	<u>Variance</u>
Cemetery Fund	\$16,372	\$11,649	(\$4,723)
Fire District Fund	22,337	21,761	(576)
Emergency Medical Service Fund	6,149	5,335	(814)

Failure to enter accurate information into the accounting system could result in Township management being unable to effectively monitor budgetary activity throughout the year.

We recommend the Fiscal Officer post to the accounting system estimated receipts from the certificate of estimated resources and any amendments thereto. The accompanying budgetary note disclosure includes budgeted receipts as certified by the County Auditor.

**Officials' Response:**

The Fiscal Officer has corrected this matter for fiscal year 2006 and beyond.

FINDING NUMBER 2006-002

**Material Noncompliance and Significant Deficiency**

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority 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. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

COAL TOWNSHIP  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-002  
(Continued)

**Material Noncompliance and Significant Deficiency – Ohio Rev. Code § 5705.41(D)(1) (Continued)**

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

Amounts of 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 Board.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account not extending beyond the end of the 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. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the Board, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the Board for the blanket.
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 to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Township did not certify the availability of funds prior to purchase commitment for 67% of expenditures during both fiscal years. Although the obligations paid by the Township had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation and there was no evidence of a “Then and Now” certificate being used by the Fiscal Officer. Failure to properly certify the availability of funds can result in overspending of funds and negative cash balances.

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 an obligation being incurred by the Township. In rare instances when prior certification is not possible, “then and now” certification may be used.

**COAL TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-002  
(Continued)**

**Material Noncompliance and Significant Deficiency – Ohio Rev. Code § 5705.41(D)(1) (Continued)**

We recommend the Township certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township 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 effort to correct this item.

**FINDING NUMBER 2006-003**

**Material Noncompliance and Significant Deficiency**

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement their appropriation measure provided the entity complies with the same provisions of the law as are used in making the original appropriation. In addition, Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

For 2005, appropriations posted to the Township's accounting system did not agree to total appropriations by fund adopted by the Board of Trustees as noted in the minutes. In addition no evidence was noted of these additional appropriations being filed with and certified by the County Auditor. The following variances were noted between approved appropriations and those posted to the accounting system:

<u>Fund</u>	<u>Appropriations Posted to the Accounting System</u>	<u>Approved Appropriations</u>	<u>Approved Appropriations Over/(Under) Appropriations Posted</u>
Cemetery Fund	\$16,373	\$11,600	(\$4,773)
Fire District Fund	27,498	26,900	(598)
Emergency Medical Service Fund	6,149	5,300	(849)

As a result, expenditures exceeded Board approved appropriations in the Cemetery and Emergency Medical Service Funds by \$4,655 and \$845, respectively.

**COAL TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2006-003  
(Continued)**

**Material Noncompliance and Significant Deficiency - Ohio Rev. Code § 5705.40 (Continued)**

We recommend all appropriation amendments and supplemental appropriations be approved by the Board of Trustees, as evidenced in the minutes, prior to being posted to the Township's records. The accompanying note disclosure includes only appropriations that were approved by the Board of Trustees in the minutes.

**Officials' Response:**

The Fiscal Officer has corrected this matter for fiscal year 2006 and beyond.

**FINDING NUMBER 2006-004**

**Material Noncompliance and Significant Deficiency**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

During the audit period, the Township financed the purchase of a tractor and a truck through the proceeds of loans from a local financial institution. The financial transactions were processed through a local financial institution; however, the loan proceeds were not recorded in the Township's accounting system. The Township failed to amend its estimated resources and adopt appropriations related to entering into this loan and for the purchase of the associated equipment.

As a result of additional appropriations not being adopted by the Board and the necessity to record adjustments to reflect the receipt and disbursement of loan proceeds, the Township's expenditures exceeded appropriations within the Gasoline Tax Fund in the amounts of \$17,697 and \$3,998 for 2006 and 2005, respectively. In addition, the cash receipts and disbursements as reported in the Township's annual financial report were understated by \$23,157 and \$10,197 within the Township's Special Revenue Funds for 2006 and 2005, respectively. Adjustments with which the management of the Township has agreed have been made to the accompanying financial statements.

We recommend the financial transactions pertaining to any loans entered into by the Township and processed by the bank be included in the Township's accounting records. Prior to entering into any loans, the Township should amend its estimated resources by the amount of the loan proceeds and adopt additional appropriations accordingly.

**Officials' Response:**

We were not aware that these loans had to be reported as stated since they were paid to the vendors directly by the Peoples Bank. We will follow proper procedures if we need to get any loans in the future years.



**COAL TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2006-005**

**Material Noncompliance and Significant Deficiency**

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities, Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision, Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2006 and 2005, the Board of Trustees and Fiscal Officer signed promissory notes with Peoples National Bank to purchase a truck and a tractor, respectively. These notes do not meet the requirements set forth in Ohio Revised Code Chapter 133.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships. We recommend the Board of Trustees consult with the Township's legal counsel prior to the Township incurring future debt.

**Officials' Response:**

It appears that this was a new change in the ORC and we were not aware of this change. We will consult with our legal counsel if we need to incur any debt in the future.

**COAL TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Ohio Rev. Code § 5705.41(D)(1) – Failure to properly certify funds prior to obligation.	No.	Repeated as finding number 2006-002.
2004-002	Ohio Rev. Code § 5705.41(B) – Various township funds had expenditures in excess of appropriations.	No.	Repeated as part of finding number 2006-003 and as finding number 2006-004..
2004-003	Ohio Rev. Code § 5705.40 – Failure to properly amend appropriations.	No.	Repeated as finding number 2006-003.



**Mary Taylor, CPA**  
Auditor of State

**COAL TOWNSHIP**

**PERRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 29, 2007**