



**ELYRIA TOWNSHIP
LORAIN COUNTY**

REGUALR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 19, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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ELYRIA TOWNSHIP
LORAIN COUNTY

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**Auditor of State
Betty Montgomery**

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

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

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

Betty Montgomery
Auditor of State

October 19, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 19, 2006

**ELYRIA TOWNSHIP
LORAIN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency Fund</u>	
Cash Receipts:					
Local Taxes	\$113,732	\$316,612	\$0	\$0	\$430,344
Intergovernmental	120,457	164,216	180,781	0	465,454
Charges for Services	25,258	1,531	0	0	26,789
Licenses, Permits, and Fees	29,173	0	0	11	29,184
Earnings on Investments	588	439	0	0	1,027
Other Revenue	25,773	1,391	0	0	27,164
	<u>314,981</u>	<u>484,189</u>	<u>180,781</u>	<u>11</u>	<u>979,962</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	343,470	155,761	400	0	499,631
Public Safety	86,379	0	0	0	86,379
Public Works	32,162	245,907	0	0	278,069
Health	7,000	0	0	0	7,000
Debt Service:					
Redemption of Principal	0	50,000	0	0	50,000
Interest and Fiscal Charges	0	3,500	0	0	3,500
Capital Outlay	400	0	72,771	0	73,171
	<u>469,411</u>	<u>455,168</u>	<u>73,171</u>	<u>0</u>	<u>997,750</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>(154,430)</u>	<u>29,021</u>	<u>107,610</u>	<u>11</u>	<u>(17,788)</u>
Fund Cash Balances, January 1	<u>143,069</u>	<u>437,438</u>	<u>78,942</u>	<u>0</u>	<u>659,449</u>
Fund Cash Balances, December 31	<u>(\$11,361)</u>	<u>\$466,459</u>	<u>\$186,552</u>	<u>\$11</u>	<u>\$641,661</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$118,669	\$330,085	\$0	\$0	\$448,754
Intergovernmental	122,304	185,493	0	164,764	472,561
Charges for Services	23,674	4,127	0	0	27,801
Licenses, Permits, and Fees	11,398	0	0	0	11,398
Earnings on Investments	1,144	197	0	0	1,341
Other Revenue	39,131	3,000	0	0	42,131
	<u>316,320</u>	<u>522,902</u>	<u>0</u>	<u>164,764</u>	<u>1,003,986</u>
Total Cash Receipts					
	<u>316,320</u>	<u>522,902</u>	<u>0</u>	<u>164,764</u>	<u>1,003,986</u>
Cash Disbursements:					
Current:					
General Government	310,541	175,505	0	0	486,046
Public Safety	75,592	0	0	0	75,592
Public Works	29,992	240,615	0	0	270,607
Health	4,642	0	0	0	4,642
Debt Service:					
Redemption of Principal	0	0	50,000	0	50,000
Interest and Fiscal Charges	0	0	5,000	0	5,000
Capital Outlay	2,752	1,347	0	90,984	95,083
	<u>423,519</u>	<u>417,467</u>	<u>55,000</u>	<u>90,984</u>	<u>986,970</u>
Total Cash Disbursements					
	<u>423,519</u>	<u>417,467</u>	<u>55,000</u>	<u>90,984</u>	<u>986,970</u>
Total Receipts Over/(Under) Disbursements	<u>(107,199)</u>	<u>105,435</u>	<u>(55,000)</u>	<u>73,780</u>	<u>17,016</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	0	55,000	0	55,000
Transfers-Out	0	(55,000)	0	0	(55,000)
Other Sources	512	0	0	0	512
Other Uses	(499)	0	0	0	(499)
	<u>13</u>	<u>(55,000)</u>	<u>55,000</u>	<u>0</u>	<u>13</u>
Total Other Financing Receipts/(Disbursements)					
	<u>13</u>	<u>(55,000)</u>	<u>55,000</u>	<u>0</u>	<u>13</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(107,186)</u>	<u>50,435</u>	<u>0</u>	<u>73,780</u>	<u>17,029</u>
Fund Cash Balances, January 1	<u>250,255</u>	<u>387,003</u>	<u>0</u>	<u>5,162</u>	<u>642,420</u>
Fund Cash Balances, December 31	<u><u>\$143,069</u></u>	<u><u>\$437,438</u></u>	<u><u>\$0</u></u>	<u><u>\$78,942</u></u>	<u><u>\$659,449</u></u>
Reserve for Encumbrances, December 31	<u><u>\$20,348</u></u>	<u><u>\$5,201</u></u>	<u><u>\$500</u></u>	<u><u>\$0</u></u>	<u><u>\$26,049</u></u>

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Elyria Township, Lorain County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection, and emergency medical services

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

ELYRIA TOWNSHIP
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

Fire Levy Fund - This fund receives tax revenue and other intergovernmental revenue for maintaining and operating the Township fire department.

3. Debt Service Fund

This fund accounts for resources the Township accumulates to pay bond and note debt.

4. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Issue II Fund - This fund accounts for Issue II grants received from the State of Ohio to repair and improve roads.

5. Fiduciary Fund (Agency Fund)

This fund accounts for resources for which the Township is acting in an agency capacity. The Township had the following significant agency fund:

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$496,542	\$639,937
Certificates of deposit	125,000	0
Total deposits	621,542	639,937
 STAR Ohio		
Total investments	20,119	19,512
Total deposits and investments	\$641,661	\$659,449

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(CONTINUED)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$384,327	\$314,981	\$69,346
Special Revenue	527,060	484,189	42,871
Debt Service	54,125	0	54,125
Capital Projects	214,000	180,781	33,219
Total	<u>\$1,179,512</u>	<u>\$979,951</u>	<u>\$199,561</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$678,862	\$469,411	\$209,451
Special Revenue	670,950	455,168	215,782
Debt Service	53,500	0	53,500
Capital Projects	127,000	73,171	53,829
Total	<u>\$1,530,312</u>	<u>\$997,750</u>	<u>\$532,562</u>

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$279,234	\$316,832	\$37,598
Special Revenue	513,813	522,902	9,089
Debt Service	55,500	55,000	(500)
Capital Projects	103,829	164,764	60,935
Total	<u>\$952,376</u>	<u>\$1,059,498</u>	<u>\$107,122</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$618,376	\$444,366	\$174,010
Special Revenue	674,996	477,668	197,328
Debt Service	54,812	55,500	(688)
Capital Projects	91,000	90,984	16
Total	<u>\$1,439,184</u>	<u>\$1,068,518</u>	<u>\$370,666</u>

Contrary to Ohio Revised Code 5705.39, at December 31, 2005 and December 31, 2004, the General Fund and the Motor Vehicle License Tax Special Revenue Fund had appropriations exceeding estimated resources.

Also contrary to Ohio Revised Code 5705.10, the Township carried a cash deficit balance in the General Fund at December 31, 2005, of \$11,361 and the Motor Vehicle License Tax Special Revenue Fund at December 31, 2005 of \$34,510 and at December 31, 2004 of \$31,389.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(CONTINUED)**

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$100,000	3%
OPWC Loan	24,500	0%
Total	\$124,500	

The Township issued general obligation bonds to finance the purchase of a new fire engine to be used by the Township fire personnel. The Township obtained an OPWC loan for the Murray Ridge Road project.

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

	General Obligation Bonds	OPWC Loan
Year ending December 31:		
2006	\$52,750	\$4,900
2007	51,375	4,900
2008	0	4,900
2009	0	4,900
2010	0	4,900
Total	\$104,125	\$24,500

6. RETIREMENT SYSTEMS

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(CONTINUED)**

6. RETIREMENT SYSTEMS (Continued)

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

Effective August 3, 1992, any new part-time Township firefighters are no longer covered by OPERS and must contribute to social security. The Township liability is 6.2 percent of wages paid.

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.

Risk Pool Membership

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

Casualty Coverage

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

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

Property Coverage

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

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 value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(CONTINUED)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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

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

Financial Position

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

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

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$50,628.

8. SUBSEQUENT EVENTS

In February 2006 the Township received a \$50,000 loan for a term of three years at an interest rate of 4.75% towards the purchase of a new ambulance.

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**Auditor of State
Betty Montgomery**

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

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

We have audited the financial statements of Elyria Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated October 19, 2006 wherein we noted the Township followed practices the Auditor of State prescribed rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated October 19, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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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 2005-001 through 2005-003. In a separate letter to the Township's management dated October 19, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 19, 2006

**ELYRIA TOWNSHIP
LORAIN COUNTY**

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

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

FINDING NUMBER 2005-001

Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 provides, in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure.

During our testing we noted the following funds had appropriations in excess of estimated resources:

Fund	Estimated Resources	2005 Appropriations	Variance
General	\$510,895	\$678,862	\$(167,967)
Motor Vehicle License Tax	(15,439)	29,000	(44,439)

Fund	Estimated Resources	2004 Appropriations	Variance
General	\$529,489	\$618,376	\$(88,887)
Motor Vehicle License Tax	41,834	85,000	(43,166)

The above errors were due to the Township not using the proper beginning unencumbered balance on the certificate of estimated resources and audit adjustments necessary to record financial activity in the proper funds. The deficit estimated resources for the Motor Vehicle License Tax Fund was caused by estimated receipts not great enough to offset the deficit fund balance at January 1, 2005.

We recommend the Township monitor and/or amend their estimated resources when it amends its appropriations to ensure that appropriations do not exceed estimated resources. We also recommend the Township use the proper beginning unencumbered balance on the certificate of estimated resources and update its estimated resources prior to fiscal year end.

Official's Response:

I am currently making all of the accounting adjustments, as outlined in a meeting with [the State Auditors]. These accounting adjustments reflect transfers to the various fund accounts, as authorized by Resolution 10206-6, passed by the board on October 2, 2006.

Auditor's Response:

At the onset of this engagement, it was noted that the beginning balances on the Township's records did not agree with the balances reported on the prior audited financial statements. This was caused by the Township Clerk not posting audit adjustments from the prior audit. During the current audit, auditors worked with the Clerk to post the required adjustments to the Township's 2006 financial records. The adjustments required the Clerk to seek the approval of the Board of Trustees for a resolution to transfer the necessary funds.

FINDING NUMBER 2005-002

Negative Fund Balances

Ohio Rev. Code Section 5705.10(H) states money paid into any fund shall be used only for the purposes for which that fund is established.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

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

FINDING NUMBER 2005-002

Negative Fund Balances (Continued)

The Township carried negative cash balances in the General Fund at December 31, 2005 of \$11,361 and the Motor Vehicle License Tax Fund of \$34,510 and \$31,389 at December 31, 2005 and December 31, 2004, respectively.

The deficit fund balances were the result of the Township failing to post the required audit adjustments from the prior audit which led to the inadequate funding.

The Township should post the required adjustments to their financial records and transfer the funds necessary, from the General, to alleviate the negative cash balance.

Official's Response:

When I made the recommended adjustments previously, they were done incorrectly, resulting in negative fund balances. In the future, this will be monitored closely.

FINDING NUMBER 2005-003

Ohio Rev. Code Section 5705.28 requires that on or before July 15, in each year, the taxing authority of each subdivision or other taxing unit is required to adopt a tax budget for the next succeeding fiscal year.

Our review of the minutes of the Board of Trustees disclosed the Township did not pass a resolution adopting the tax budget for 2005 and 2004.

The Township should take appropriate steps to ensure that the annual tax budget resolutions are passed no later than July 15 of each year.

Official's Response:

For the budget years 2006 and 2007, the annual tax budget resolution was passed prior to July 15 deadline date.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC 5705.41(D)(1)	Fully Corrected	N/A
2003-002	ORC 5705.41(B)	No	Partially corrected, insignificant negative balances, management letter comment.
2003-003	ORC 5705.39	No	Not corrected, repeated as 2005-001



Mary Taylor, CPA
Auditor of State

ELYRIA TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 8, 2007