



Mary Taylor, CPA  
Auditor of State



WELLINGTON TOWNSHIP  
LORAIN COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Wellington Township  
Lorain County  
115 Willard Memorial Square  
Wellington, Ohio 44090

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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 27, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Wellington Township  
Lorain County  
115 Willard Memorial Square  
Wellington, Ohio 44090

To the Board of Trustees:

We have audited the accompanying financial statements of Wellington Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2007 and December 31, 2006. 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.

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, 2007 and December 31, 2006 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, 2007 and December 31, 2006, 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 Wellington Township, Lorain County, Ohio as of December 31, 2007 and December 31, 2006, 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 March 27, 2009, 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

March 27, 2009

**WELLINGTON 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, 2007**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$66,251	\$104,230	\$0	\$0	\$170,481
Licenses, Permits, and Fees	1,397	0	0	0	1,397
Intergovernmental	74,614	131,962	0	78,826	285,402
Earnings on Investments	60,273	1,944	0	0	62,217
Miscellaneous	7,344	0	0	0	7,344
	<u>209,879</u>	<u>238,136</u>	<u>0</u>	<u>78,826</u>	<u>526,841</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	70,033	38,789	0	0	108,822
Public Works	4,989	197,768	0	0	202,757
Health	25,995	0	0	0	25,995
Capital Outlay	4,920	12,289	0	78,826	96,035
Debt Service:					
Redemption of Principal	0	3,360	0	0	3,360
Interest and Other Fiscal Charges	0	0	0	0	0
	<u>105,937</u>	<u>252,206</u>	<u>0</u>	<u>78,826</u>	<u>436,969</u>
Total Receipts Over/(Under) Disbursements	<u>103,942</u>	<u>(14,070)</u>	<u>0</u>	<u>0</u>	<u>89,872</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In	550,631				550,631
Transfers-Out			(550,631)		(550,631)
Other Financing Uses	(550,631)				(550,631)
	<u>0</u>	<u>0</u>	<u>(550,631)</u>	<u>0</u>	<u>(550,631)</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	103,942	(14,070)	(550,631)	0	(460,759)
Fund Cash Balances, January 1	630,544	142,168	550,631	0	1,323,343
<b>Fund Cash Balances, December 31</b>	<b><u>\$734,486</u></b>	<b><u>\$128,098</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$862,584</u></b>
Reserve for Encumbrances, December 31	<u>\$401</u>	<u>\$841</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,242</u>

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

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$0
Miscellaneous	0
	0
Total Operating Cash Receipts	0
<b>Operating Cash Disbursements:</b>	
Salaries	0
Employee Fringe Benefits	0
Purchased Services	0
Supplies and Materials	0
Claims	0
Other	0
	0
Total Operating Cash Disbursements	0
Operating Income/(Loss)	0
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balances, January 1	10
<b>Fund Cash Balances, December 31</b>	<b>\$10</b>
Reserve for Encumbrances, December 31	\$0

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

**WELLINGTON 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, 2006**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$61,839	\$99,172	\$0	\$0	\$161,011
Licenses, Permits, and Fees	2,160	0	0	0	2,160
Intergovernmental	105,083	125,127	0	50,039	280,249
Earnings on Investments	61,738	1,436	0	0	63,174
Miscellaneous	12,836	0	0	0	12,836
	<u>243,656</u>	<u>225,735</u>	<u>0</u>	<u>50,039</u>	<u>519,430</u>
<b>Total Cash Receipts</b>					
	<u>243,656</u>	<u>225,735</u>	<u>0</u>	<u>50,039</u>	<u>519,430</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	64,797	37,125	0	0	101,922
Public Works	3,083	187,001	0	0	190,084
Health	23,742	0	0	0	23,742
Capital Outlay	27,399	0	0	50,039	77,438
Debt Service:					
Redemption of Principal	0	3,360	0	0	3,360
Interest and Other Fiscal Charges	0	0	0	0	0
	<u>119,021</u>	<u>227,486</u>	<u>0</u>	<u>50,039</u>	<u>396,546</u>
<b>Total Cash Disbursements</b>					
	<u>119,021</u>	<u>227,486</u>	<u>0</u>	<u>50,039</u>	<u>396,546</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>124,635</u>	<u>(1,751)</u>	<u>0</u>	<u>0</u>	<u>122,884</u>
<b>Fund Cash Balances, January 1</b>	<u>505,909</u>	<u>143,919</u>	<u>550,631</u>	<u>0</u>	<u>1,200,459</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$630,544</b></u>	<u><b>\$142,168</b></u>	<u><b>\$550,631</b></u>	<u><b>\$0</b></u>	<u><b>\$1,323,343</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$10,888</b></u>	<u><b>\$715</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$11,603</b></u>

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

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$0
Miscellaneous	0
	0
Total Operating Cash Receipts	0
<b>Operating Cash Disbursements:</b>	
Salaries	0
Employee Fringe Benefits	0
Purchased Services	0
Supplies and Materials	0
Claims	0
Other	0
	0
Total Operating Cash Disbursements	0
Operating Income/(Loss)	0
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balances, January 1	10
<b>Fund Cash Balances, December 31</b>	<b>\$10</b>
Reserve for Encumbrances, December 31	\$0

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

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006**

**1. Reporting Entity**

The Wellington Township, Lorain County, Ohio (the Township), is a body politic and corporate 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 Fiscal Officer.

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 government services and maintenance of Township roads and bridges. The Township's police protection is provided by the Lorain County Sheriff. The Township is a member of the Wellington Community Fire District which provides fire services and the South Lorain County Ambulance District which provides ambulance 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 to or can otherwise access the organization's resources; the Township is legally obligated 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 the 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.

There are no component units affiliated with the Township.

**C. Public Entity Risk Pools, Jointly Governed and Related Organizations**

The Township participates in the Ohio Township Association Risk Management Authority, a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

The Township also participates in the following jointly governed organizations: South Lorain County Ambulance District; Wellington Union Cemetery; Wellington Community Fire District; South Lorain County Historical Society; Herrick Memorial Library; Rural Lorain County Water Authority; and Lorain County Rural Wastewater District. One Township Trustee serves on the Board for the South Lorain County Ambulance District, Wellington Union Cemetery, and Wellington Community Fire District. The Township Trustees appoint a board member to the following related organizations: South Lorain County Historical Society, Herrick Memorial Library, Rural Lorain County Water Authority, and Lorain County Rural Wastewater District. Note 9 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.

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(Continued)**

**2. Summary of Significant Accounting Policies**

**A. 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.

**B. 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.

Money market mutual funds are recorded at share values the mutual funds report.

**C. 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

**3. Debt Service Fund**

This fund accounts for resources the Township accumulates to pay Herrick Memorial Library bonds.

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(Continued)**

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

**D. Fund Accounting (Continued)**

**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 2 Fund - The Township received a grant from the State of Ohio to repair and improve roads.

**5. Fiduciary Funds**

This fund is used to account for monies belonging to other individuals or governmental entities.

Fire Insurance Fund – This fund is used to accumulate insurance proceeds to be held for removal, repairing or securing structures damaged by fire pursuant to the provisions of Ohio Rev. Code Section 3929.86.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and program level, 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.

**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 2007 and 2006 budgetary activity appears in Note 4.

**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.

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(Continued)**

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

**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.

**3. Equity in Pooled Cash and Investments**

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

	2007	2006
Demand deposits	\$442,594	\$430,666
Certificates of deposit	0	582,687
Total deposits	442,594	1,013,353
Repurchase agreement	420,000	310,000
Total investments	420,000	310,000
Total deposits and investments	\$862,594	\$1,323,353

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**Investments:**

Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$147,262	\$760,510	\$613,248
Special Revenue	218,319	238,136	19,817
Debt Service	0	0	0
Capital Projects	92,556	78,826	(13,730)
Fiduciary	10	0	(10)
Total	\$458,147	\$1,077,472	\$619,325

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(Continued)**

**4. Budgetary Activity (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$766,918	\$656,969	\$109,949
Special Revenue	359,672	253,047	106,625
Debt Service	550,631	550,631	0
Capital Projects	92,556	78,826	13,730
Fiduciary	0	0	0
Total	<u>\$1,769,777</u>	<u>\$1,539,473</u>	<u>\$230,304</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$125,877	\$243,656	\$117,779
Special Revenue	207,394	225,735	18,341
Debt Service	0	0	0
Capital Projects	50,357	50,039	(318)
Fiduciary	10	0	(10)
Total	<u>\$383,638</u>	<u>\$519,430</u>	<u>\$135,792</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$631,442	\$129,909	\$501,533
Special Revenue	349,605	228,201	121,404
Debt Service	550,631	0	550,631
Capital Projects	50,357	50,039	318
Fiduciary	0	0	0
Total	<u>\$1,582,035</u>	<u>\$408,149</u>	<u>\$1,173,886</u>

**5. 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.

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.

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
OPWC Loan	\$6,720	0%
Total	\$6,720	

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC Loan
2008	\$3,360
2009	3,360
Total	\$6,720

**7. Retirement Systems**

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 benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**8. 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. 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.

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(Continued)**

**8. Risk Management (Continued)**

If losses exhaust PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$6,504. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(Continued)**

**8. Risk Management (Continued)**

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.

**Contributions to OTARMA**

2005	\$10,232
2006	\$8,882
2007	\$6,919

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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, less 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.

**9. Jointly Governed Organizations**

**South Lorain County Ambulance District**

The Ambulance District is organized pursuant to Ohio Rev. Code Section 505.71 and is directed by an appointed seven-member Board of Trustees representing the Village of Wellington, and Wellington, Huntington, Penfield, Rochester, Brighton, and Pittsfield Townships. The Ambulance District provides emergency medical services to the residents within the Ambulance District which includes the Township.

**Wellington Community Fire District**

The Fire District is organized pursuant to Ohio Rev. Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington and Wellington, Huntington, Penfield, Brighton, and Pittsfield Townships. The Fire District provides fire protection and rescue services within the Fire District which includes the Township.

**Wellington Union Cemetery**

The Cemetery is a union cemetery organized pursuant to Ohio Rev. Code Section 759.27 and is directed by an appointed three-member Board of Trustees representing the Village of Wellington and Wellington Township. The Cemetery provides for the sale of burial lots, grave openings and closings, and the perpetual care of graves to residents of the Village and Township. The Cemetery operates and maintains the West Herrick Cemetery and Greenwood Cemetery, both located in the Village of Wellington.

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(Continued)**

**9. Jointly Governed Organizations (Continued)**

**South Lorain County Historical Society**

The Historical Society is organized pursuant to Ohio Rev. Code Section 307.23 and is directed by an appointed Board of Directors. The Historical Society operates the Spirit of '76 Museum which is located in the Village of Wellington.

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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*

Wellington Township  
Lorain County  
115 Willard Memorial Square  
Wellington, Ohio 44074

To the Board of Trustees:

We have audited the financial statements of the Wellington Township, Lorain County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated March 27, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 opinion 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated March 27, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated March 27, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

March 27, 2009

**WELLINGTON TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Material Noncompliance**

The Township is the taxing authority for the Herrick Memorial Library. In 1986 the Township residents approved a bond issue for Library expansion. As long as the bonds were outstanding, the residents were assessed a tax for the retirement of the bonds and interest. In 2003, the Township requested the Lorain County Auditor stop collecting the tax as the balance in the bond retirement fund was sufficient to retire the outstanding principal and interest.

On June 17, 2005, the Township petitioned the Lorain County Common Pleas Court (*Ohio vs. Wellington Township*, Case Number 05MD000580) for an order to transfer approximately \$525,000 in excess property tax monies from the Bond Retirement Fund to the General Fund. The purpose of the transfer was to pay the excess monies to the Library. On September 22, 2005, the Court approved the Township's petition.

In 2007, the Township paid the excess tax levy monies to the Library. However, the payment by the Township was made from the Bond Retirement Fund rather than the General Fund, violating the order of the Lorain County Common Pleas Court.

Compliance with the Court order would have required the Township Trustees to transfer the balance of the Bond Retirement Fund to the General Fund. Once that step had been performed, a payment to the Library for the amount of the transfer should have been made from the General Fund.

In the future, orders of a Court should be followed verbatim.

***Official's Response:***

The Township declined to respond to this finding.





**Mary Taylor, CPA**  
Auditor of State

**WELLINGTON 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  
MAY 7, 2009**