

Elkrun Township

Financial Condition

As of

December 31, 2008 and 2009

Together with Auditor's Report



Mary Taylor, CPA

Auditor of State

Board of Trustees
Elkrun Township
P.O. Box 36
Elkton, Ohio 44415

We have reviewed the *Independent Auditor's Report* of Elkrun Township, Columbiana County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Elkrun Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 5, 2010

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ELKRUN TOWNSHIP
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Independent Auditor's Report

Elkrun Township
Columbiana County

I have audited the accompanying financial statements of the Elkrun Township (the Township), as of and for the year ended December 31, 2008 and 2009. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed 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. Although I cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, I presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2008 and 2009. Instead of the combined funds the accompanying financial statements present for 2008 and 2009, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2008 and 2009. While the Township does not follow GAAP, generally accepted auditing standards require 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 the Township does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above 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, 2008 and 2009, or its changes in financial position for the year then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Elkrum Township, Columbiana County, Ohio, as of December 31, 2008 and 2009 and its combined cash receipts and disbursements and reserves for encumbrances for the year then ended on the basis of accounting described in Note 1.

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, 2008 and 2009. 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, I have also issued my report dated May 28, 2010, on my consideration of the Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards. You should read it in conjunction with this report in assessing the results of my audit.

Kevin L. Penn, Inc.

May 28, 2010

Elkrun Township
Columbiana County
Combined Statement of Cash Receipts,
Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008

	Governmental Fund Types					Totals
	General	Special Revenue	Capital Project	Debt Service	Permanent	(Memorandum Only)
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 55,650	\$ 152,438	\$ -	\$ -	\$ -	\$ 208,088
Intergovernmental Receipts	91,824	137,667				229,491
Fines, Licenses, and Penalties	14,125	1,500				15,625
Earnings on Investments	4,637	5,980			70	10,687
Other Revenue	748	350				1,098
Total Cash Receipts	166,984	297,935	-	-	70	464,989
Cash Disbursements:						
Current:						
Public Safety	-	24,912				24,912
Public Health Services	-	30				30
Public Works	-	238,648				238,648
General Government	117,422	-				117,422
Total Cash Disbursements	117,422	263,590	-	-	-	381,012
Total Receipts Over/(Under) Disbursements	49,562	34,345	-	-	70	83,977
Other Financing Receipts/(Disbursements)						
Transfers-In		6,000				6,000
Transfers-Out	(6,000)					(6,000)
Total Other Financing Receipts/(Disbursements)	(6,000)	6,000	-	-	-	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	43,562	40,345	-	-	70	83,977
Fund Cash Balance - January 1, 2008	94,295	321,959	458	14,330	2,546	433,588
Fund Cash Balance - December 31, 2008	\$ 137,857	\$ 362,304	\$ 458	\$14,330	\$ 2,616	\$ 517,565
Reserves for Encumbrances, December 31, 2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Elkrun Township
Columbiana County
Combined Statement of Cash Receipts,
Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

	Governmental Fund Types					Totals
	General	Special Revenue	Capital Project	Debt Service	Permanent	(Memorandum Only)
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 56,012	\$ 147,595	\$ -	\$ -	\$ -	\$ 203,607
Intergovernmental Receipts	67,195	138,959				206,154
Fines, Licenses, and Penalties	8,346	-				8,346
Earnings on Investments	978	1,640			60	2,678
Other Revenue	75	-				75
Total Cash Receipts	132,606	288,194	-	-	60	420,860
Cash Disbursements:						
Current:						
Public Safety		24,853				24,853
Public Health Services		238			315	553
Public Works	58,393	239,417				297,810
General Government	120,553					120,553
Debt Service:						
Principal Payments		7,710				7,710
Interest Payments		1,338				1,338
Capital Outlay		52,413				52,413
Total Cash Disbursements	178,946	325,969	-	-	315	505,230
Total Receipts Over/(Under) Disbursements	(46,340)	(37,775)	-	-	(255)	(84,370)
Other Financing Receipts/(Disbursements)						
Other Debt Proceeds		50,000				50,000
Total Other Financing Receipts/(Disbursements)	-	50,000	-	-	-	50,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(46,340)	12,225	-	-	(255)	(34,370)
Fund Cash Balance - January 1, 2009	137,857	362,304	458	14,330	2,616	517,565
Fund Cash Balance - December 31, 2009	\$ 91,517	\$ 374,529	\$ 458	\$ 14,330	\$ 2,361	\$ 483,195
Reserves for Encumbrances, December 31, 2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

**ELKRUN TOWNSHIP
COLUMBIANA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Elkrun Township, Columbiana County, Ohio, is a body politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is the 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, maintenance of Township roads and bridges, and cemetery maintenance. The Elkrun/Center Township Fire Department provides fire protection. In addition the Township contracts with the West Point Volunteer Fire Department and the Negley Volunteer Fire Department for additional fire protection. Police protection is provided by The Columbiana County Sheriffs Department.

Component units are legally separate organizations for which the Township is financially accountable. The Township has no component units.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

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 maintains an interest bearing checking account used by all funds. No other investments are held by the Township. Certificates of deposit are valued at cost.

**ELKRUN TOWNSHIP
COLUMBIANA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(Continued)

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

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

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

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant debt service fund:

Note Retirement Fund – This fund receives property tax money to satisfy the issued noted obligations of the Township to purchase equipment.

**ELKRUN TOWNSHIP
COLUMBIANA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(Continued)

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Township had the following significant capital project funds:

Miscellaneous Capital Project Fund - This fund receives revenues allocated from the property and local taxes used for capital purchases.

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs.

Bequest Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

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, function or object level of control, and appropriations may not exceed estimated resources. The Council 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 4.

**ELKRUN TOWNSHIP
COLUMBIANA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

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:

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$481,195	\$515,565
Certificates of Deposits	<u>2,000</u>	<u>2,000</u>
Total Deposits	<u>\$483,195</u>	<u>\$517,565</u>

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

3. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**ELKRUN TOWNSHIP
COLUMBIANA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2008 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 250,086	\$ 166,984	\$ (83,102)
Special Revenue	611,718	304,005	(307,713)
Debt Service	458	-	(458)
Capital Projects	14,330	-	(14,330)
Permanent	2,605	-	(2,605)
Total	<u>\$ 879,197</u>	<u>\$ 470,989</u>	<u>\$ (408,208)</u>

2008 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 194,099	\$ 123,422	\$ 70,677
Special Revenue	335,356	263,590	71,766
Debt Service	-	-	-
Capital Projects	-	-	-
Permanent	-	-	-
Total	<u>\$ 529,455</u>	<u>\$ 387,012</u>	<u>\$ 142,443</u>

2009 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 242,259	\$ 132,606	\$ (109,653)
Special Revenue	742,437	338,254	(404,183)
Debt Service	458	-	(458)
Capital Projects	14,330	-	(14,330)
Permanent	2,677	-	(2,677)
Total	<u>\$ 1,002,161</u>	<u>\$ 470,860</u>	<u>\$ (531,301)</u>

2009 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 203,238	\$ 178,946	\$ 24,292
Special Revenue	471,206	326,284	144,922
Debt Service	-	-	-
Capital Projects	-	-	-
Permanent	687	315	372
Total	<u>\$ 675,131</u>	<u>\$ 505,545</u>	<u>\$ 169,586</u>

**ELKRUN TOWNSHIP
COLUMBIANA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(Continued)

5. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Massey Ferguson Tractor	\$ 42,302	4.5%

The Massey Ferguson tractor note was issued for \$50,012 at an interest rate of 4.5%. The note was entered into on April 27, 2009 for a period of 4 years. The note will be repaid in yearly installments of \$9,047.42, including interest. The note is collateralized solely by the Township's tax Authority.

The aggregate amounts of long-term debt maturities for the three years following 2009 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 16,351	\$ 1,744	\$ 18,095
2011	\$ 17,105	\$ 990	\$ 18,095
2012	\$ 8,846	\$ 201	\$ 9,047
Total	<u>\$ 42,302</u>	<u>\$ 2,935</u>	<u>\$ 45,237</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

**ELKRUN TOWNSHIP
COLUMBIANA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(Continued)

7. PENSION PLAN

The Township's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Ohio Public Employees Retirement System

All Township full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Ohio Public Employees Retirement System

OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Township to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory Township for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent for 2008 and 10.00 percent for 2009 of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Township was 14.00% for 2008 and 14.00% for 2009 of covered payroll. The Township's required contributions to OPERS for the fiscal years ended December 31, 2009, 2008, and 2007 were \$15,861, \$15,804 and \$12,158 respectively. 100 percent has been contributed for 2009 2008 and 2007.

**ELKRUN TOWNSHIP
COLUMBIANA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

8. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Ohio Public Employees Retirement System

The Ohio Revised Code provides statutory Township for employer contributions. The employer pension contribution rate for the Township was 14 percent for 2008 and 14 percent for 2009 of covered payroll, 7.0% (2008 through March 31, 2009) and 5.5% (from April 1, through December 31, 2009) was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2008, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

At December 31, 2009, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2008 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

**ELKRUN TOWNSHIP
COLUMBIANA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(Continued)

8. POST-EMPLOYMENT BENEFITS (continued)

On September 9, 2008 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2009. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

9. CHANGE IN BASIS OF ACCOUNTING

In 2007, the Township reported their fund financial statements by the modified cash basis of accounting. In 2008 and 2009, the Township has prepared their financial statements using the regulatory basis of accounting as prescribed by the State Auditor's Office.

10. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Elkrun Township
Columbiana County

I have audited the financial statements of Elkrun Township as of and for the years ended December 31, 2008 and 2009, and have issued my report thereon dated May 28, 2010. I conducted my audit in accordance with generally accepted auditing standards 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. My report on the financial statements disclosed that, as described in Note 1 to the financial statements, the Township prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Elkrun Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Elkrun Township's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Elkrun Township's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elkrun Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of Elkrun Township in a separate letter dated May 28, 2010.

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

Kevin L. Penn, Inc.

May 28, 2010

Elkrun Township
Columbiana County

Schedule of Audit Findings
December 31, 2008 and 2009

There were no findings during the 2008 and 2009 calendar year.

Elkrun Township
Columbiana County

Schedule of Prior Audit Findings
December 31, 2008 and 2009

There were no audit findings during the 2006 and 2007 calendar year.



Mary Taylor, CPA
Auditor of State

ELKRUN TOWNSHIP

COLUMBIANA 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
AUGUST 19, 2010**