



**Auditor of State  
Betty Montgomery**



ELYRIA TOWNSHIP  
LORAIN COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 2003.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Audit Findings .....	15
Schedule of Prior Audit Findings.....	18

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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, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

The Township's financial transactions were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

April 29, 2005

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$115,741	\$324,932	\$0	\$0	\$440,673
Intergovernmental	178,876	123,987	64,893	0	367,756
Charges for Services	39,705	5,025	0	0	44,730
Licenses, Permits, and Fees	43,596	0	0	226	43,822
Earnings on Investments	106	107	0	0	213
Other Revenue	7,876	628	0	0	8,504
<b>Total Cash Receipts</b>	<u>385,900</u>	<u>454,679</u>	<u>64,893</u>	<u>226</u>	<u>905,698</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	307,972	129,243	0	0	437,215
Public Safety	96,358	14,885	0	0	111,243
Public Works	1,100	227,288	0	0	228,388
Health	546	0	0	0	546
Miscellaneous	534	0	0	226	760
Debt Service:					
Redemption of Principal	0	50,000	0	0	50,000
Interest and Fiscal Charges	0	4,812	0	0	4,812
Capital Outlay	0	212,521	62,722	0	275,243
<b>Total Cash Disbursements</b>	<u>406,510</u>	<u>638,749</u>	<u>62,722</u>	<u>226</u>	<u>1,108,207</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(20,610)</u>	<u>(184,070)</u>	<u>2,171</u>	<u>0</u>	<u>(202,509)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Sale of Bonds	0	250,000	0	0	250,000
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>0</u>	<u>250,000</u>	<u>0</u>	<u>0</u>	<u>250,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(20,610)	65,930	2,171	0	47,491
Fund Cash Balances, January 1, 2003	270,865	321,073	2,991	0	594,929
<b>Fund Cash Balances, December 31, 2003</b>	<u><u>\$250,255</u></u>	<u><u>\$387,003</u></u>	<u><u>\$5,162</u></u>	<u><u>\$0</u></u>	<u><u>\$642,420</u></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 AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$111,952	\$262,345	\$0	\$0	\$374,297
Intergovernmental	144,605	187,539	0	0	332,144
Licenses, Permits, and Fees	26,156	0	0	163	26,319
Earnings on Investments	205	149	0	0	354
Other Revenue	37,522	15,619	0	0	53,141
	<u>320,440</u>	<u>465,652</u>	<u>0</u>	<u>163</u>	<u>786,255</u>
Total Cash Receipts					
	<u>320,440</u>	<u>465,652</u>	<u>0</u>	<u>163</u>	<u>786,255</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	236,516	87,478	0	0	323,994
Public Safety	77,036	0	0	0	77,036
Public Works	5,279	174,144	0	0	179,423
Health	4,745	0	0	0	4,745
Conservation - Recreation	0	29,491	0	0	29,491
Miscellaneous	0	0	0	163	163
Capital Outlay	1,105	2,400	0	0	3,505
	<u>324,681</u>	<u>293,513</u>	<u>0</u>	<u>163</u>	<u>618,357</u>
Total Cash Disbursements					
	<u>324,681</u>	<u>293,513</u>	<u>0</u>	<u>163</u>	<u>618,357</u>
Total Receipts Over/(Under) Disbursements	(4,241)	172,139	0	0	167,898
Fund Cash Balances, January 1, 2002	275,106	148,934	2,991	0	427,031
<b>Fund Cash Balances, December 31, 2002</b>	<b><u>\$270,865</u></b>	<b><u>\$321,073</u></b>	<b><u>\$2,991</u></b>	<b><u>\$0</u></b>	<b><u>\$594,929</u></b>
Reserve for Encumbrances, December 31, 2002	<u>\$8,960</u>	<u>\$1,098</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,058</u>

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



**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Elyria Township, Lorain County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery 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 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**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sales are recorded as receipts or disbursements, respectively.

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 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 Funds**

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:

ELYRIA TOWNSHIP  
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

*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.

*Grant Fund* - This fund is used to account for various grants received from state and local sources.

3. 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 or trust funds). The Township had the following significant capital project funds:

*Issue II Fund* - This fund accounts for Issue II grants received from the State of Ohio to repair and improve Adelbert Street Storm Sewers.

4. Fiduciary Funds (Agency Funds)

This fund is used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary 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 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  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(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. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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 used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	<u>\$623,471</u>	<u>575,878</u>
Total deposits	<u>623,471</u>	<u>575,878</u>
STAR Ohio	<u>18,949</u>	<u>19,051</u>
Total investments	<u>18,949</u>	<u>19,051</u>
Total deposits and investments	<u>\$642,420</u>	<u>\$594,929</u>

**Deposits:** Deposits are either 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.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$319,088	\$385,900	\$66,812
Special Revenue	702,812	704,679	1,867
Capital Projects	0	64,893	64,893
Fiduciary	0	226	226
Total	<u>\$1,021,900</u>	<u>\$1,155,698</u>	<u>\$133,798</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$675,010	\$406,510	\$268,500
Special Revenue	871,211	638,749	232,462
Capital Projects	3,000	62,722	(59,722)
Fiduciary	0	226	(226)
Total	<u>\$1,549,221</u>	<u>\$1,108,207</u>	<u>\$441,014</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$272,037	\$320,440	\$48,403
Special Revenue	413,469	465,652	52,183
Capital Projects	58,000	0	(58,000)
Fiduciary	0	163	163
Total	<u>\$743,506</u>	<u>\$786,255</u>	<u>\$42,749</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$447,756	\$333,641	\$114,115
Special Revenue	489,950	294,611	195,339
Capital Projects	80,000	0	80,000
Fiduciary	9,500	163	9,337
Total	<u>\$1,027,206</u>	<u>\$628,415</u>	<u>\$398,791</u>

Contrary to Ohio Revised Code 5705.41(D), the Township did not properly encumber all expenditures prior to the receipt of the goods or services.

The Township had expenditures that exceeded their appropriations for one fund at December 31, 2003, contrary to Ohio Revised Code 5705.41(B).

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

The Township had four funds in which appropriations exceeded the estimated resources at December 31, 2002, contrary to Ohio Revised Code 5705.39.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. 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 payment, 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, 2003 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$200,000	2.75%

The general obligation bonds were issued to finance the purchase of a new fire engine to be used by the Township fire personnel. The bonds are collateralized solely by the Township's taxing authority.

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

	General Obligation Bonds
Year ending December 31:	
2004	\$55,500
2005	54,125
2006	52,750
2007	51,375
Total	\$213,750

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**6. RETIREMENT SYSTEMS**

Township employees belong to the Ohio Public Employees 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

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

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)

7. RISK MANAGEMENT (continued)

**Risk Pool Membership (continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003 and 2002.

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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, 2003 and December 31, 2002, and have issued our report thereon dated April 29, 2005, wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, and 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.

#### Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2003-001 to 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 29, 2005.

#### 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 for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Township's management in a separate letter dated April 29, 2005.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

**Betty Montgomery**  
Auditor of State

April 29, 2005

ELYRIA TOWNSHIP  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

**Noncompliance Citation**

**Encumbrance of Funds**

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Sixty-one percent (49 out of 81) of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

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

**FINDING NUMBER 2003-001  
(CONTINUED)**

**Noncompliance Citation (Continued)**

**Encumbrance of Funds (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

**Expenditures Exceeding Appropriations**

Ohio Revised Code Section 5705.41 (B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. The Township's legal level of budgetary control is at the fund level.

The following fund had expenditures exceeding appropriations at the legal level of budgetary control on December 31, 2003:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Capital Projects	\$3,000	\$62,722	\$59,722

This weakness could allow expenditures in the above funds to exceed the total of the available fund balance and the current year revenues. This would then result in a negative cash fund balance.

We recommend the Township compare appropriations to expenditures and appropriations to expenditures plus encumbrances at the legal level of budgetary control, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum.

ELYRIA TOWNSHIP  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)

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

FINDING NUMBER 2003-003

Noncompliance Citation

Appropriations Exceeded Estimated Resources

Ohio Revised 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 at December 31, 2002.

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Difference</u>
<b><u>December 31, 2002</u></b>			
<b>Special Revenue Fund:</b>			
Road and Bridge Fund	\$179,100	\$175,185	(\$3,915)
Street Lighting Assessment	3,000	2,236	(764)
<b>Capital Projects Fund:</b>			
Public Works Commission	80,000	62,059	(17,941)
<b>Agency Fund:</b>			
State Building Fee Fund	9,500	6,533	(2,967)

The above errors occurred because the Township did not use the proper beginning unencumbered balance on the certificate of estimated resources.

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.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-40847-001	ORC 117.28 Finding for recovery of sales tax paid	Fully Corrected	
2001-40847-002	ORC 5705.41(D) failure to certify the availability of funds.	No	Not corrected, repeated as 2003-001.
2001-40847-003	ORC 5705.10 negative fund balances	No	Partially corrected, insignificant negative balances, management letter comment.
2001-40847-004	ORC 5705.39 appropriations exceed estimated resources	No	Not corrected, repeated as 2003-003.
2001-40847-005	ORC 5705.41(B) expenditures exceed appropriations	No	Not corrected, repeated as 2003-002.



**Auditor of State  
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**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  
JUNE 23, 2005**