



**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



Mary Taylor, CPA
Auditor of State

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Olmsted Township
Cuyahoga County
26900 Cook Road
Olmsted Township, Ohio 44138

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Olmsted Township, Cuyahoga County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Olmsted Township, Cuyahoga County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund, Police District Fund, and the Fire District Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2008, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor, CPA
Auditor of State

May 27, 2008

Olmsted Township, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The discussion and analysis of Olmsted Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis of accounting. Readers are encouraged to also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- ❖ The Township's net assets at December 31, 2005 were \$3,731,647.
- ❖ The Township's total net assets decreased by \$1,997,731 or 34.87 percent mainly as a result of increased capital-related expenses in 2005.
- ❖ The Township's general receipts are primarily property taxes and grants and entitlements. General receipts represent 73.90 percent of the total cash received for governmental activities during 2005. Program specific receipts in the form of charges for services and sales and operating grants and contributions represent the remaining 26.10 percent of total cash received.

Using this Annual Financial Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standard's Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The Statement of Net Assets and Statement of Activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Olmsted Township, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information, within the limitations of the cash basis of accounting, about the Township as a whole and about its activities in a way that helps answer this question. The Statement of Net Assets presents the cash balances of the governmental activities of the Township at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

Reporting on the Most Significant Funds of Olmsted Township

Fund financial statements provide detailed information about the Township's major governmental funds – not the Township as a whole. The Township establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The Township's significant governmental funds are presented on the financial statements in separate columns. The Township's major governmental funds are as follows: General Fund, Police District Fund, Fire District Fund, and Capital Equipment Fund. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

Olmsted Township, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 on a cash basis:

Table 1
Net Assets

	Governmental Activities
	2005
Assets	
Cash and Cash Equivalents	\$3,731,647
Net Assets	
Restricted:	
Capital Projects	804,852
Police Protection	9,078
Fire Protection	(31,321)
Ambulance and Emergency Medical Services	244,154
Roads and Bridges	107,007
Park and Recreation	53,391
Other Purposes	79,942
Unrestricted	2,464,544
Total Net Assets	\$3,731,647

Total net assets were \$3,731,647 at December 31, 2005. Over time, net assets can serve as a useful indicator of a government's financial position.

The Township continues to stress the importance of increasing its unrestricted net asset total each year.

Table 2 reflects the changes in net assets for fiscal year 2005 and corresponds to the Statement of Activities. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Olmsted Township, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities
	2005
Receipts:	
Program Receipts	
Charges for Services and Sales	\$1,205,750
Operating Grants and Contributions	146,800
<i>Total Program Receipts</i>	1,352,550
General Receipts	
Property Taxes	2,536,204
Grant and Entitlements, Not Restricted to Specific Programs	937,257
Interest	153,585
Miscellaneous	201,655
<i>Total General Receipts</i>	3,828,701
<i>Total Receipts</i>	5,181,251
Disbursements:	
General Government	1,118,632
Public Safety	3,245,227
Public Works	688,906
Health	57,318
Capital Outlay	1,859,720
Debt Service:	
Principal Retirement	100,000
Interest and Fiscal Charges	109,179
<i>Total Disbursements</i>	7,178,982
<i>Decrease in Net Assets</i>	(1,997,731)
<i>Net Assets Beginning of Year</i>	5,729,378
<i>Net Assets End of Year</i>	\$3,731,647

Program receipts represent only 26.10 percent of total receipts and are primarily comprised of charges for services and sales receipts.

General receipts represent 73.90 percent of the Township's total receipts, and of this amount, over 66.24 percent are local taxes. The remaining 33.76 percent are made up of state and federal grants and entitlements, interest, and miscellaneous receipts.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These costs do not represent direct services to residents.

Olmsted Township, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety, which account for 45.20 percent of all governmental disbursements. Capital outlay also represents a significant cost, about 25.91 percent. The next columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from general receipts which are presented at the bottom of the Statements. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
	2005	2005
General Government	\$1,118,632	(\$711,934)
Public Safety	3,245,227	(2,755,103)
Public Works	688,906	(465,272)
Health	57,318	174,776
Capital Outlay	1,859,720	(1,859,720)
Debt Service:		
Principal Retirement	100,000	(100,000)
Interest and Fiscal Charges	109,179	(109,179)
Total Expenses	\$7,178,982	(\$5,826,432)

The dependence upon general receipts is apparent as over 53.33 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$5,181,251 and disbursements of \$7,178,982. The greatest change within the governmental funds occurred within the major capital equipment fund.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

Olmsted Township, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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For the general fund, original budgeted revenues were \$2,860,034; final budget amounts were \$2,851,741; and actual revenue collections were \$2,630,738. The majority of the decrease in actual revenue over the final budgeted amount is due to licenses, permits and fees. For the general fund, original appropriations were \$2,827,908; final appropriations were \$2,837,908; and actual expenditures were \$2,844,733. Actual expenditures were \$6,825 over the final appropriations.

Debt Administration

At December 31, 2005, the Township had an outstanding balance of \$2,780,000 for a building improvement bond. This debt is not reflected on the financial statements. See Note 10 in the financial statements for more information of the Township's outstanding debt.

Current Financial Related Activities

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Township relies heavily on local taxes.

Contacting the Township's Financial Management

This financial report is designed to provide a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Olmsted Township Fiscal Officer, 26900 Cook Road, Olmsted Township, Ohio 44138-1194, or email at olmsted_twp_clerk@cox.net.

Olmsted Township
Cuyahoga County
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,731,647</u>
Net Assets	
Restricted for:	
Capital Projects	\$804,852
Police Protection	9,078
Fire Protection	(31,321)
Ambulance and Emergency Medical Services	244,154
Roads and Bridges	107,007
Park and Recreation	53,391
Other Purposes	79,942
Unrestricted	<u>2,464,544</u>
<i>Total Net Assets</i>	<u><u>\$3,731,647</u></u>

See accompanying notes to the basic financial statements

Olmsted Township
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total
Governmental Activities				
General Government	\$1,118,632	\$406,698	\$0	(\$711,934)
Public Safety	3,245,227	386,866	103,258	(2,755,103)
Public Works	688,906	180,794	42,840	(465,272)
Health	57,318	231,392	702	174,776
Capital Outlay	1,859,720	0	0	(1,859,720)
Debt Service:				
Principal Retirement	100,000	0	0	(100,000)
Interest and Fiscal Charges	109,179	0	0	(109,179)
Total	<u>\$7,178,982</u>	<u>\$1,205,750</u>	<u>\$146,800</u>	<u>(5,826,432)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				672,861
Police District				921,838
Fire District				900,879
Cemetery				40,626
Grants and Entitlements not Restricted to Specific Programs				937,257
Interest				153,585
Miscellaneous				201,655
<i>Total General Receipts</i>				<u>3,828,701</u>
Change in Net Assets				(1,997,731)
<i>Net Assets Beginning of Year</i>				<u>5,729,378</u>
<i>Net Assets End of Year</i>				<u>\$3,731,647</u>

See accompanying notes to the basic financial statements

Olmsted Township
Cuyahoga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Police District	Fire District
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,481,403	\$9,078	(\$31,321)
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$193,272	\$3,431	\$8,096
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	2,288,131	0	0
Special Revenue Funds	0	5,647	(39,417)
Capital Projects Funds	0	0	0
<i>Total Fund Balances</i>	<u>\$2,481,403</u>	<u>\$9,078</u>	<u>(\$31,321)</u>

See accompanying notes to the basic financial statements

Capital Equipment	Other Governmental Funds	Total Governmental Funds
<u>\$804,852</u>	<u>\$467,635</u>	<u>\$3,731,647</u>
\$1,648,650	\$35,606	\$1,889,055
0	0	2,288,131
0	432,029	398,259
(843,798)	0	(843,798)
<u>\$804,852</u>	<u>\$467,635</u>	<u>\$3,731,647</u>

Olmsted Township
Cuyahoga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Police District	Fire District
Receipts			
Property and Other Local Taxes	\$672,861	\$921,838	\$900,879
Licenses, Permits and Fees	954,567	5,064	370
Fines and Forfeitures	0	0	0
Intergovernmental	762,308	61,789	24,264
Gifts and Contributions	0	0	0
Interest	84,081	0	0
Other	156,921	27,715	545
<i>Total Receipts</i>	<u>2,630,738</u>	<u>1,016,406</u>	<u>926,058</u>
Disbursements			
Current:			
General Government	1,118,632	0	0
Public Safety	1,030,643	1,133,003	1,032,681
Public Works	502,186	0	0
Health	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Disbursements</i>	<u>2,651,461</u>	<u>1,133,003</u>	<u>1,032,681</u>
<i>Net Change in Fund Balances</i>	(20,723)	(116,597)	(106,623)
<i>Fund Balances Beginning of Year</i>	<u>2,502,126</u>	<u>125,675</u>	<u>75,302</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,481,403</u></u>	<u><u>\$9,078</u></u>	<u><u>(\$31,321)</u></u>

See accompanying notes to the basic financial statements

Capital Equipment	Other Governmental Funds	Total Governmental Funds
\$0	\$40,626	\$2,536,204
0	231,392	1,191,393
3,973	10,384	14,357
0	234,146	1,082,507
0	1,550	1,550
62,588	6,916	153,585
0	16,474	201,655
66,561	541,488	5,181,251
0	0	1,118,632
0	48,900	3,245,227
0	186,720	688,906
0	57,318	57,318
1,859,720	0	1,859,720
100,000	0	100,000
109,179	0	109,179
2,068,899	292,938	7,178,982
(2,002,338)	248,550	(1,997,731)
2,807,190	219,085	5,729,378
\$804,852	\$467,635	\$3,731,647

**Olmsted Township
Cuyahoga County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$700,546	\$700,546	\$672,861	(\$27,685)
Licenses, Permits and Fees	1,123,949	1,123,949	954,567	(169,382)
Intergovernmental	735,539	727,246	762,308	35,062
Interest	100,000	100,000	84,081	(15,919)
Other	200,000	200,000	156,921	(43,079)
<i>Total receipts</i>	<u>2,860,034</u>	<u>2,851,741</u>	<u>2,630,738</u>	<u>(221,003)</u>
Disbursements				
Current:				
General Government	1,026,669	1,036,669	1,216,582	(179,913)
Public Safety	1,171,505	1,171,505	1,030,643	140,862
Public Works	629,734	629,734	597,508	32,226
<i>Total Disbursements</i>	<u>2,827,908</u>	<u>2,837,908</u>	<u>2,844,733</u>	<u>(6,825)</u>
<i>Net Change in Fund Balance</i>	32,126	13,833	(213,995)	(227,828)
<i>Fund Balance Beginning of Year</i>	2,276,401	2,276,401	2,276,401	0
Prior Year Encumbrances Appropriated	<u>187,429</u>	<u>187,429</u>	<u>187,429</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,495,956</u>	<u>\$2,477,663</u>	<u>\$2,249,835</u>	<u>(\$227,828)</u>

See accompanying notes to the basic financial statements

**Olmsted Township
Cuyahoga County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police District Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$958,259	\$958,259	\$921,838	(\$36,421)
Licenses, Permits and Fees	0	0	5,064	5,064
Intergovernmental	0	0	61,789	61,789
Other	0	0	27,715	27,715
<i>Total Receipts</i>	958,259	958,259	1,016,406	58,147
Disbursements				
Current:				
Public Safety	1,127,881	1,127,881	1,136,434	(8,553)
<i>Net Change in Fund Balance</i>	(169,622)	(169,622)	(120,028)	49,594
<i>Fund Balance Beginning of Year</i>	123,612	123,612	123,612	0
Prior Year Encumbrances Appropriated	2,063	2,063	2,063	0
<i>Fund Balance (Deficit) End of Year</i>	(\$43,947)	(\$43,947)	\$5,647	\$49,594

See accompanying notes to the basic financial statements

**Olmsted Township
Cuyahoga County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire District Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$930,439	\$930,439	\$900,879	(\$29,560)
Licenses, Permits and Fees	10,000	10,000	370	(9,630)
Intergovernmental	25,417	25,417	24,264	(1,153)
Other	31,000	31,000	545	(30,455)
<i>Total Receipts</i>	996,856	996,856	926,058	(70,798)
Disbursements				
Current:				
Public Safety	1,022,544	1,023,544	1,040,777	(17,233)
<i>Net Change in Fund Balance</i>	(25,688)	(26,688)	(114,719)	(88,031)
<i>Fund Balance Beginning of Year</i>	99,191	99,191	99,191	0
Prior Year Encumbrances Appropriated	4,738	4,738	4,738	0
<i>Fund Balance End of Year</i>	<u>\$78,241</u>	<u>\$77,241</u>	<u>(\$10,790)</u>	<u>(\$88,031)</u>

See accompanying notes to the basic financial statements

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Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

Olmsted Township, Cuyahoga 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 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, police protection, fire protection, maintenance of Township roads and bridges, and cemetery maintenance.

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. The Township has no component units.

C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

The Township participates in two jointly governed organizations and one public entity risk pool. Notes 13 and 14 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:
Southwest Council of Governments
Northeast Ohio Public Energy Council

Public Entity Risk Pool:
Ohio Government Risk Management Plan

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

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the Township that are governmental and those that are considered business-type. The Township, however, has no business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All of the Township's funds are categorized as governmental.

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are as follows:

General Fund This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Police District Fund This fund is used to account for property tax revenue used to provide police protection services.

Fire District Fund This fund is used to account for property tax revenue used to provide fire protection services.

Capital Equipment Fund This fund is used to account for purchases of equipment financed with general operating monies designated by the trustees.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level for all funds except the general fund, for which the legal level of control is the department level.

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

During 2005, the Township invested in nonnegotiable certificates of deposit and STAROhio. The nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the capital equipment capital projects fund during 2005 were \$62,588 which includes \$33,125 assigned from other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation as adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$1,267,103, none of which are restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for street maintenance and repair. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Activity

Internal events that are allocations of overhead disbursements from one function to another or within the same function are eliminated on the statement of activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 3 – Change in Basis of Accounting

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, police district special revenue fund, and fire district special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$193,272 for the general fund, \$3,431 for the police district fund, and \$8,096 for the fire district fund.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
2. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

3. The State Treasurer’s investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had no undeposited cash on hand.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$150,000 of the Township’s bank balance of \$250,000 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized with securities specifically pledged by the financial institution to the Township.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Investments are reported at fair value. As of December 31, 2005, the Township had the following investments:

	Fair Value	Maturity
STAROhio	\$2,298,865	Less than One Year
Repurchase Agreement	1,307,572	Less than One Year
Total	\$3,606,437	

Interest Rate Risk. The Township has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk. STAROhio carries a rating of AAA by Standard and Poor’s. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the fiscal officer or qualified trustee.

Concentration of Credit Risk. The Township places no limit on the amount it may invest in any one issuer. The following is the Township's allocation as of December 31, 2005:

Investment Issuer	Percentage of Investments
STAROhio	63.74 %
Repurchase Agreement	36.26
Total	100.00 %

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

The full tax rate for all Township operations for the year ended December 31, 2005, was \$21.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$174,561,920
Agricultural	862,480
Commercial/Industrial/Mineral	25,521,520
Tangible Personal Property	
Business	3,290,376
Public Utility	8,050,190
Total Assessed Value	<u><u>\$212,286,486</u></u>

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the Township belonged to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments (“Members”). More information for the Plan can be found in Note 14.

Settled claims have not exceeded coverage in any of the last three years.

The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

All Township full-time employees, other than firemen, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is 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 the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.10 percent of their annual covered salary; members in public safety contributed 9.00 percent. The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.70 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$175,348, \$207,007, and \$132,774 respectively. 92.26 percent has been contributed for 2005. The full amount has been contributed for 2004 and 2003. No contributions were made to the member-directed plan for 2005.

B. Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 16.25 percent for firefighters. Contributions are authorized by State statute. The Township's contributions to the Fund for firefighters were \$150,920 for the year ended December 31, 2005, \$203,450 for the year ended December 31, 2004 and \$173,347 for the year ended December 31, 2003. 74.15 percent has been contributed for 2005. The full amount has been contributed for 2004 and 2003.

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.70 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 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 premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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 annually.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$62,399. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total firefighter contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for 2005 that were used to fund postemployment benefits were \$71,977 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005 was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 10,537 for firefighters.

Note 10 – Debt

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance 12/31/2004	Additions	Reductions	Balance 12/31/2005	Due Within One Year
Governmental Activities:						
Building Improvement	1.55% -					
Bonds, 2004	4.50%	\$2,880,000	\$0	(\$100,000)	\$2,780,000	\$100,000

The general obligation bonds are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments. Payments are made out of the capital equipment capital projects fund. The following is a summary of the Township's future annual debt service requirements:

	Building Improvement Bond	
	Principal	Interest
2006	\$100,000	\$107,629
2007	100,000	105,829
2008	100,000	103,329
2009	125,000	100,329
2010	125,000	96,266
2011-2015	647,500	411,643
2016-2020	807,500	277,230
2021-2024	775,000	88,260
Total	<u>\$2,780,000</u>	<u>\$1,290,515</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

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$22,290,081 and an unvoted debt margin of \$11,675,757.

Note 11 – Construction and Contractual Commitments

At December 31, 2005, the following contractual commitments have been entered into for various construction projects and improvements to the Township:

<u>Contractor</u>	<u>Amount of Contract</u>
Seitz Builders	\$1,929,600
John F. Gallagher Company	90,884
Olmsted Heating and Cooling	67,549
Skyland Electric	105,000
Jance Construction Company	<u>135,700</u>
Total	<u><u>\$2,328,733</u></u>

Note 12 – Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 – Jointly Governed Organizations

A. Southwest Council of Governments

The Southwest Council of Governments (the Council) helps foster cooperation between municipalities/townships in areas affecting health, safety, welfare, education, economic conditions and regional development. The board is comprised of one member from each of the sixteen participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the board. Each member's degree of control is limited to its representation on the board. In 2005, the Township contributed \$7,500.

The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZ MAT") which provides hazardous material protections and assistance and the Southwest Enforcement Bureau which provides extra assistance in the form of a Special Weapons and Tactics Team ("SWAT Team"). The Council's financial statements may be obtained by contacting the Southwest Council of Governments, Parma Heights, Ohio.

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

B. Northeast Ohio Public Energy Council

The Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 112 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. In 2005, the Township made no contributions. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, at 175 South Main Street, Akron, Ohio, 44308 or at the website www.nopecinfo.org.

Note 14 – Public Entity Risk Pool

During 2005, the Township belonged to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member’s deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15 percent casualty and the 10 percent property portions the Plan retains. The Plan pays the lesser of 15 percent or \$37,500 of casualty losses and the lesser of 10 percent or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Plan’s audited financial statements conform to generally accepted accounting principles and reported the following assets, liabilities and retained earnings at December 31, 2005:

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	(2,748,639)	(2,227,808)
Members' Equity	\$5,470,791	\$4,457,714

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

Note 15 – Compliance

Contrary to Ohio Revised Code Section 5705.39, the following funds had final appropriations in excess of certified available resources.

Fund	Final Revenues Plus Carryover Balances	Final Appropriations	Excess
Police District	\$1,081,871	\$1,127,881	\$46,010
FEMA	0	47,600	47,600
SRAD	0	1,000	1,000
Capital Equipment	2,803,344	4,375,032	1,571,688

Although the budgetary violations were not corrected by year end, management has indicated that appropriations will be closely monitored to ensure no future violations.

Contrary to Ohio Revised Code Section 5705.41(B), the following funds had expenditures plus encumbrances in excess of appropriations as of December 31, 2005 at the fund level of control, which is the legal level of control for all funds other than the General Fund:

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Variance
COPS Federal Grant	\$0	\$1,523	\$1,523
SRAD	1,000	6,266	5,266

In addition, the General Fund had expenditures plus encumbrances in excess of appropriations as of December 31, 2005 at the department level of control, which is the legal level of control for the General Fund:

Fund/Department	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Variance
General Fund/Town Hall Purposes	\$50,920	\$202,566	\$151,646

Olmsted Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

The Township was in violation of Ohio Revised Code Section 5705.41(D). The Township had 30 of 139 invoices tested (22 percent) which were entered into prior to receiving the Fiscal Officer's certification.

In order to address the budgetary violations of Ohio Revised Code Sections 5705.41(B) and (D), the Township intends to closely monitor expenditures and encumbrances to eliminate these weaknesses in future periods.

The Township was in violation of Ohio Revised Code Section 9.38. The Township had 38 of 77 receipts tested (49 percent) that were not timely deposited. The Township intends to review depositing procedures to eliminate this weakness in future periods.

In addition, the Township was in violation of Ohio Revised Code Section 149.351. The Township failed to maintain certain public records during the audit period. Also, Township is in violation of O.R.C. 9.24(A), failure to test state data base for vendor findings.

Note 16 – Subsequent Events

On June 29, 2006, the Township awarded the Oxford Park Resurfacing project to Tri-Mor Construction in the amount of \$494,801.50.

On May 16, 2007, the Board of Trustees approved a resolution approving settlement agreements with six construction contractors associated with the Olmsted Township Facilities Improvement Program. The resolution approved the following payments:

<u>Contractor</u>	<u>Payment</u>
Seitz Builders	\$148,986.00
John F. Gallagher Company	38,398.17
Olmsted Heating and Cooling	2,676.48
Skyland Electric	19,971.60
Jance Construction, LLC	24,713.00
Lakeland Management Systems	137,179.00



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*

Olmsted Township
Cuyahoga County
26900 Cook Road
Olmsted Township, Ohio 44138

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Olmsted Township, Cuyahoga County, Ohio (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 27, 2008 wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-012.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-012 listed above to be a material weakness. In a separate letter to the Township's management dated May 27, 2008, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2005-001 through 2005-011. In a separate letter to the Township's management dated May 27, 2008, we reported other matters related to noncompliance we deemed immaterial.

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

Mary Taylor, CPA
Auditor of State

May 27, 2008

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

Finding Number	2005- 001
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Finding for Recovery

Payment of Accumulated Sick Time

During our review of payroll expenditures made during fiscal year 2005, we noted three Township Police Department employees who each received payments of portions of their accumulated sick leave balances throughout fiscal year 2005, in violation of their union agreement.

John W. Minek was a Lieutenant in the Olmsted Township Police Department during fiscal year 2005. David G. Tkachik was a Sergeant in the Olmsted Township Police Department during fiscal year 2005. Gabriel W. Smolik was a Patrolman in the Olmsted Township Police Department during fiscal year 2005. During that time, all three employees were covered under the *Agreement Between Olmsted Township and Ohio Patrolmen's Benevolent Association* for the period January 1, 2004 to December 31, 2006. Section 12.01 of this agreement states in part that, "All regular, full-time employees shall be entitled to sick leave of 4.6 hours for each eighty (80) hours of service. Employees may use sick leave upon approval of the responsible administrative officer, for absence due to illness, injury, exposure to contagious diseases which could be communicated to other employees and to illness in the employee's immediate family, defined as spouse or children."

Section 12.03 of this agreement states that, "Upon death or retirement, all sick leave accumulated up to the point of ratification of the 1996-1998 Agreement shall be paid to the employee or his or her estate or personal representative designated by the employee at the employee's rate of pay at the time of death or retirement. For all sick leave accumulated after ratification of the 1996-1998 Agreement, the pay out shall be at the rate of one-third (1/3) of all accumulated sick leave at the employees rate of pay at the time of death or retirement."

Section 12.05 of this agreement states that, "Employees shall be provided an incentive payment for non-use of sick days at the following rates: 0 Days taken during the year: \$400; 1 day taken during the year: \$300; 2 days taken during the year: \$200; and 3 days taken during the year: \$100." Section 12.06 states that, "The term *year* shall mean the calendar year from January 1 to December 31. Payment of such cash incentive shall be made in the month of January next following the year in which the incentive has been earned."

During fiscal year 2005, John Minek cashed out 579.25 hours of his accumulated sick leave, receiving a total sick time payout of \$15,774.87 (gross wages) from Olmsted Township. Since the aforementioned conditions governing the payout of sick leave per the *Agreement Between Olmsted Township and Ohio Patrolmen's Benevolent Association* did not occur, John Minek was not entitled to the sick time payout. Additionally, in January 2005 he received a payment of \$257 for the sick leave incentive earned for fiscal year 2004. We noted in our previous audit that John Minek cashed out 460 hours of sick leave in 2004; therefore we do not believe the payment of this sick leave incentive meets the aforementioned incentive criteria. The total amount paid to John Minek for sick time and the sick leave incentive in 2005 is \$16,031.87.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

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

Finding Number	2005- 001
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Finding for Recovery (Continued)

Payment of Accumulated Sick Time (Continued)

During fiscal year 2005, David Tkachik cashed out 305 hours of his accumulated sick leave, receiving a total sick time payout of \$7,301.30 (gross wages) from Olmsted Township. Since the aforementioned conditions governing the payout of sick leave per the *Agreement Between Olmsted Township and Ohio Patrolmen's Benevolent Association* did not occur, David Tkachik was not entitled to the sick time payout. Additionally, in January 2005, he received a payment of \$400 for the sick leave incentive earned for fiscal year 2004. We noted in our previous audit that David Tkachik cashed out 320 hours of sick leave in 2004; therefore we do not believe the payment of this sick leave incentive meets the aforementioned incentive criteria. The total paid to David Tkachik for sick time and the sick leave incentive in 2005 is \$7,701.30.

During fiscal year 2005, Gabriel Smolik cashed out 80 hours of his accumulated sick leave, receiving a total sick time payout of \$1,258.40 (gross wages) from Olmsted Township. Since the aforementioned conditions governing the payout of sick leave per the *Agreement Between Olmsted Township and Ohio Patrolmen's Benevolent Association* did not occur, Gabriel Smolik was not entitled to the sick time payout.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28 a Finding for Recovery for public monies illegally expended is hereby issued jointly and severally against John W. Minek for \$16,031.87 of the \$24,991.57, David G. Tkachik for \$7,701.30 of the \$24,991.57, and Gabriel W. Smolik for \$1,258.40 of the \$24,991.57. The finding of \$24,991.57 is in favor of the Police District Fund (Fund 2081). In addition, Lisa Lambert, former Fiscal Officer, and Travelers Casualty and Surety Company of America of Hartford, Connecticut, her bonding company, are jointly and severally liable, in the amount of \$24,991.57 and in favor of the Olmsted Township Police District Fund (Fund 2081).

Lisa Lambert, former Fiscal Officer, shall be secondarily liable for such illegal expenditure to the extent that recovery or restitution is not obtained from John W. Minek, Lieutenant, David G. Tkachik, Sergeant, and Gabriel W. Smolik, Patrolman.

Officials' Response:

We did not receive a response from Officials to this finding.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

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

Finding Number	2005- 002
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Finding for Recovery

Overpayment of Employees

During our review of payroll expenditures made during fiscal year 2005, we noted three Township Fire Department employees whose base salaries and overtime payments were calculated incorrectly throughout the year, causing these employees to be overpaid.

John Lavelle and John Rice were both Lieutenants in the Olmsted Township Fire Department during fiscal year 2005. Brian Caimi was a Firefighter in the Olmsted Township Fire Department during fiscal year 2005. During that time, they were covered under the *Agreement Between Olmsted Township and Olmsted Township Professional Fire Fighters Union Local 2845* for the period January 1, 2004 to December 31, 2006. Appendix A of this agreement sets forth the salary schedule for firefighters/EMT's, rank differentials for Lieutenants and Captains, longevity pay, paramedic premium, mechanic premium, and fire inspector pay.

John Lavelle began employment with the Olmsted Township Fire Department on April 1, 1991. Per the union agreement under which he was covered, as part of his annual salary he received a 1% longevity pay increase on April 1, 2005, a 10% pay differential for being a Lieutenant in the Department, and a \$1,500 paramedic premium (which is included in the employee's base salary for determining his hourly overtime rate). His annual salary is divided by 26 pays to determine his bi-weekly salary base. His annual salary is divided by 2,756 hours (per the union agreement) to determine his hourly rate. This hourly rate is multiplied by a factor of 1.5 (per the union agreement) to arrive at the employee's hourly overtime rate.

Based on the aforementioned criteria, John Lavelle's bi-weekly base pay from January 1, 2005 through March 31, 2005 should have been \$2,014.03, and his hourly overtime rate for this period should have been \$29.32. His bi-weekly base pay from April 1, 2005 through December 31, 2005 should have been \$2,034.17, and his hourly overtime rate for this period should have been \$29.60. These bi-weekly base pays and overtime rates should have resulted in a total gross pay for fiscal year 2005 of \$58,094.93 (not including paramedic premium). However, the former Fiscal Officer incorrectly calculated both John Lavelle's base pay and overtime rate throughout the entire year, paying him a total gross pay of \$60,564.36 (not including paramedic premium). This results in an overpayment of \$2,469.43.

John Rice began employment with the Olmsted Township Fire Department on June 1, 1997. Per the union agreement under which he was covered, as part of his annual salary he received a 1% longevity pay increase on June 1, 2005, a 10% pay differential for being a Lieutenant in the department, \$750 additional base wages for being a fire inspector, and a \$1,500 paramedic premium (which is included in the employee's base salary for determining his hourly overtime rate). His annual salary is divided by 26 pays to determine his bi-weekly salary base. His annual salary is divided by 2,756 hours (per the union agreement) to determine his hourly rate. This hourly rate is multiplied by a factor of 1.5 (per the union agreement) to arrive at the employee's hourly and overtime rate.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

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

Finding Number	2005-002
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Finding for Recovery (Continued)

Overpayment of Employees (Continued)

Based on the aforementioned criteria, John Rice's bi-weekly base pay from January 1, 2005 through May 31, 2005 should have been \$1,926.16, and his hourly overtime rate for this period should have been \$28.07. His bi-weekly base pay from June 1, 2005 through December 31, 2005 should have been \$1,945.13, and his hourly overtime rate for this period should have been \$28.34. These bi-weekly base pays and overtime rates should have resulted in a total gross pay for fiscal year of 2005 of \$55,255.69 (not including paramedic premium). However, the former Fiscal Officer incorrectly calculated both John Rice's base pay and overtime rate through out the entire year, paying him a total of \$57,987.52 (not including paramedic premium). This results in an overpayment of \$2,731.83.

Brian Caimi began employment with the Olmsted Township Fire Department on July 12, 2004. Per the union agreement under which he was covered, he was entitled to receive a pay increase on July 12, 2005 after having completed one year of service with the Township. Under the agreement, he was also entitled to a \$1,500 paramedic premium (which is included in the employee's base salary for determining his hourly overtime rate). His annual salary is divided by 26 pays to determine his bi-weekly salary base. His annual salary is divided by 2,756 hours (per the union agreement) to determine his hourly rate. This hourly rate is multiplied by a factor of 1.5 (per the union agreement) to arrive at the employee's hourly overtime rate.

Based on the aforementioned criteria, Brian Caimi's bi-weekly base pay from July 12, 2005 through December 31, 2005 should have been \$1,402.12, and his hourly overtime rate for this period should have been \$20.66. The former fiscal officer incorrectly calculated his bi-weekly base pay and hourly overtime rate after his year of service to be \$1,414.47 and \$20.83 per hour respectively. This resulted in an overpayment of \$297.85.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28 a Finding for Recovery for public monies illegally expended is hereby issued jointly and severally against John Lavelle for \$2,469.43 of the \$5,499.11, John Rice for \$2,731.83 of the \$5,499.11, and Brian Caimi for \$297.85 of the \$5,499.11. This finding of \$5,499.11 is in favor of the Fire District Fund (Fund 2111). In addition, Lisa Lambert, former Fiscal Officer, and Travelers Casualty and Surety Company of America of Hartford, Connecticut, her bonding company, are jointly and severally liable, in the amount of \$5,499.11 and in favor of the Olmsted Township Fire District Fund (Fund 2111).

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

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

Finding Number	2005-002
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Finding for Recovery (Continued)

Overpayment of Employees (Continued)

Lisa Lambert, former Fiscal Officer, shall be secondarily liable for such illegal expenditure to the extent that recovery or restitution is not obtained from John Lavelle, Lieutenant, John Rice, Lieutenant, and Brian Caimi, Firefighter.

Officials' Response:

We did not receive a response from Officials to this finding.

Finding Number	2005-003
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Finding for Recovery

Overpayment of Compensatory Time

During our review of payroll expenditures made during fiscal year 2005, we noted the former Fiscal Officer paid a Township Fire Department employee time and one-half for compensatory time that was already banked at time and one-half, causing this employee to be overpaid.

Brian Clute was a firefighter in the Olmsted Township Fire Department during fiscal year 2005. During that time, he was covered under the *Agreement Between Olmsted Township and Olmsted Township Professional Fire Fighters Union Local 2845* for the period January 1, 2004 to December 31, 2006. Section 32.1 of the Agreement states in part that, "Any time worked in excess of twenty-four (24) hours in a seventy-two (72) hour period shall be considered overtime except for shift changes. Overtime shall be compensated at one and one-half times the regular rate of pay calculated by dividing the regular rate by 2,756." Section 32.3 of the Agreement states, "Any hours worked in excess of one hundred forty-four (144) hours in a nineteen (19) day period shall be paid at one and one-half (1.5) times the regular rate of pay, or by compensatory time, at the option of the employee."

For the pay period of August 14, 2005 to August 27, 2005, Brian Clute requested payment of 100 hours of his compensatory time balance. This compensatory time, which was accrued at time and one-half when earned, was incorrectly paid by the former Fiscal Officer at the employee's overtime hourly rate of \$24.92 (which also takes into account a paramedic bonus) rather than at the employee's base hourly rate of \$16.07. This resulted in an overpayment of \$885.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

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

Finding Number	2005-003
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Finding for Recovery (Continued)

Overpayment of Compensatory Time (Continued)

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28 a Finding for Recovery for public monies illegally expended is hereby issued against Brian Clute for \$885 in favor of the Fire District Fund (Fund 2111). In addition, Lisa Lambert, former Fiscal Officer, and Travelers Casualty and Surety Company of America of Hartford, Connecticut, her bonding company, are jointly and severally liable, in the amount of \$885 and in favor of the Olmsted Township Fire District Fund (Fund 2111).

Lisa Lambert, former Fiscal Officer, shall be secondarily liable for such illegal expenditure to the extent that recovery or restitution is not obtained from Brian Clute, Firefighter.

Officials' Response:

We did not receive a response from Officials to this finding.

Finding Number	2005-004
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Finding for Recovery

Overpayment of Employee Leave Balances

During our review of payroll expenditures made during fiscal year 2005, we noted eleven instances whereby the former Fiscal Officer paid an employee for leave taken in addition to his regular bi-weekly salary.

Ryan Strickler was a Patrolman in the Olmsted Township Police Department during fiscal year 2005. During that time he was covered under the *Agreement Between Olmsted Township and Ohio Patrolmen's Benevolent Association* for the period January 1, 2004 to December 31, 2006. Section 7.01 of this agreement states that, "A workday shall consist of eight (8) regularly scheduled hours, which commences at the starting time of a regularly scheduled shift. The normal workweek for employees shall be forty (40) regularly scheduled hours."

During fiscal year 2005, Ryan Strickler was overpaid for 157 hours of compensatory time, 24 hours of sick leave time, and 16 hours of vacation leave time as a result of the former Fiscal Officer paying him for leave that was used to meet his regularly scheduled hours. Rather than paying him for his regularly scheduled 80 hours (bi-weekly) including any leave taken, there were instances where she paid him for his 80 regularly scheduled hours plus the leave time he took during the pay period. As a result, he was overpaid \$3,242.81 during fiscal year 2005.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

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

Finding Number	2005-004
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Finding for Recovery (Continued)

Overpayment of Employee Leave Balances (Continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28 a Finding for Recovery for public monies illegally expended is hereby issued against Ryan Strickler for \$3,242.81 in favor of the Police District Fund (2081). In addition, Lisa Lambert, formal Fiscal Officer, and Travelers Casualty and Surety Company of America of Hartford, Connecticut, her bonding company, are jointly and severally liable, in the amount of \$3,242.81 and in favor of the Olmsted Township Police District Fund (Fund 2081).

Lisa Lambert, former Fiscal Officer, shall be secondarily liable for such illegal expenditure to the extent that recovery or restitution is not obtained from Ryan Strickler, Patrolman.

Officials' Response:

We did not receive a response from Officials to this finding.

Finding Number	2005-005
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Finding for Recovery

Leave Usage in Excess of Available Balances

During our review of payroll expenditures made during fiscal year 2005, we noted a Township Dispatcher for whom leave usage was consistently authorized in excess of her available leave balances, and she was overpaid as a result.

Amy Witthuhn was a Dispatcher in the Olmsted Township Police Department during fiscal year 2005. During that time, she was covered under the *Agreement Between Olmsted Township and Fraternal Order of Police Ohio Labor Council, Inc. Dispatchers* for the period January 1, 2005 to December 31, 2007.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2005-005
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Finding for Recovery (Continued)

Leave Usage in Excess of Available Balances (Continued)

Section 12.01 of Article 12 of the agreement, titled "Sick Leave," states in part, "Members of the bargaining unit shall be entitled to sick leave of 4.6 hours for each eighty hours of service or fraction thereof including vacation, holidays and compensatory time." Section 12.02 provides that employees may use sick leave, upon approval by the Board of Trustees, Chief of Police or his designee, for absence due to personal illness, pregnancy, injury and for other reasons specified in section 12.02. Section 12.03 states that, "When sick leave is used, it shall be deducted from the employee's credit on the basis of one hour for every hour of absence from previously scheduled non-overtime work". Sections 16.01 and 16.02 of the agreement pertain to vacation leave. These sections state in part that, "The township shall grant permanent employees annual vacation leave with pay", and that "Vacation hours can be used in eight hour increments with the prior approval of the Chief of Police or his designee".

During our review of Police Department leave records, we noted 23 instances whereby the number of hours and type of leave taken by Dispatcher Witthuhn were in excess of her available balances for the type of leave taken as indicated on the leave records. In two of these instances, compensatory or vacation time was listed as "used" on the leave records, but the time was deducted from her sick leave balance in UAN because she did not have sufficient compensatory or vacation leave balances. The leave records do not indicate whether the compensatory or vacation leave used and deducted from sick leave was for the specified "sick leave" purposes per section 12.02 of the agreement.

We also noted six instances for which her use of leave required a docking of her wages due to insufficient leave balances. In five of these six instances, we noted the former fiscal officer did not correctly modify her pay, overpaying her in total \$359.04.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28 a Finding for Recovery for public monies illegally expended is hereby issued against Amy Witthuhn for \$359.04 in favor of the Police District Fund (2081). In addition, Lisa Lambert, former Fiscal Officer, and Travelers Casualty and Surety Company of America of Hartford, Connecticut, her bonding company, are jointly and severally liable, in the amount of \$359.04 and in favor of the Olmsted Township Police District Fund (Fund 2081).

Lisa Lambert, former Fiscal Officer, shall be secondarily liable for such illegal expenditure to the extent that recovery or restitution is not obtained from Amy Witthuhn, Dispatcher.

Officials' Response:

We did not receive a response from Officials to this finding.

OLMSTED TOWNSHIP
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

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

Finding Number	2005-006
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Material Noncompliance

Timely Depositing

Ohio Revised Code Section 9.38 provides that any public official and/or employee who receives public monies shall deposit said monies with the Treasurer or with a properly designated depository on the next business day following the day of receipt, if the total received exceeds one thousand dollars. If the total amount of the public money received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

During our test of licenses, permits, and fees revenue, we noted 38 out of 77 receipts tested (49%) were not deposited into the designated depository in accordance with the aforementioned provisions. The range of those receipts not deposited in a timely manner varied between \$40 and \$27,822.

We recommend the Township take the necessary steps to comply with the aforementioned Ohio Revised Code section, specifically, that all deposits be made in a timely manner. We recommend all Township departments either deposit monies collected with the Treasurer or its local depository on the next business day following the day of receipt or the Township adopt a policy requiring all monies collected to be deposited with the Treasurer or properly designated depository within three business days following the day of receipt, if the total amount of such monies is less than \$1,000. Additionally, such a policy must include procedures to safeguard the monies until the time of deposit.

Officials' Response:

We did not receive a response from Officials to this finding.

Finding Number	2005- 007
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Material Noncompliance

Expenditures Plus Encumbrances in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated.

Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Board of Trustees may not exceed appropriations at the legal level for all funds.

The following funds had expenditures plus encumbrances in excess of appropriations as of December 31, 2005 at the fund level of control, which is the legal level of control for all funds other than the General Fund:

