



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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**ELYRIA TOWNSHIP
LORAIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

We have selectively tested certain accounts, financial records, files, and reports of Elyria Township, Lorain County, Ohio, (the Township) as of and for the year ended December 31, 2008 following Ohio Administrative Code § 117-4-02.

We noted noncompliance findings and internal control deficiencies as a result of performing these procedures. Our reportable noncompliance findings and internal control deficiencies follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Mary Taylor, CPA
Auditor of State

October 15, 2010

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Elyria Township
Lorain County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

This discussion and analysis of Elyria Township's, (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's cash basis 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 highlights for 2008 are as follows:

- The Township's net assets at December 31, 2008 were \$1,060,944.
- The Township's total net assets increased by \$182,226 or 20.74 percent.
- The Township's general receipts are primarily property taxes and grants and entitlement. General receipts represent 68.95 percent of the total cash received for governmental activities during 2008. Program specific receipts in the form of charges for services and assessments and operating grants and contributions represent the remaining 31.05 percent of total cash received.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the 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.

Elyria Township
Lorain County, Ohio
Management's Discussion and Analysis
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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 Elyria Township

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many 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, Road and Bridge Fund, Fire Levy Fund, and the Joint Economic Development District (JEDD) Miscellaneous Capital 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.

Elyria Township
Lorain County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities		
	2008	2007	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,060,944	\$878,718	\$182,226
Total Assets	\$1,060,944	\$878,718	\$182,226
Net Assets			
Restricted for:			
Capital Projects	\$425,161	\$311,971	\$113,190
Fire Protection	274,695	243,705	30,990
Street Lighting	2,425	3,738	(1,313)
Road and Bridge	246,621	274,569	(27,948)
Recycling	83,584	65,882	17,702
Unrestricted	28,458	(21,147)	49,605
Total Net Assets	\$1,060,944	\$878,718	\$182,226

Total net assets increased \$182,226 from 2007 to 2008 or 20.74 percent.

Elyria Township
Lorain County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2008 compared to 2007 for Governmental Activities.

(Table 2)
Changes in Net Assets

	Governmental Activities		
	2008	2007	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$105,410	\$120,581	(\$15,171)
Operating Grants and Contributions	214,777	226,937	(12,160)
Capital Grants and Contributions	87,212	94,963	(7,751)
Total Program Receipts	<u>407,399</u>	<u>442,481</u>	<u>(35,082)</u>
General Receipts:			
Property Taxes	422,548	452,977	(30,429)
Income Taxes levied for the JEDD	130,405	61,110	69,295
Grants and Entitlements, Not Restricted to Specific Programs	319,425	421,864	(102,439)
Loans Issued	0	258,600	(258,600)
Sale of Capital Assets	1,365	0	1,365
Interest	16,178	13,706	2,472
Miscellaneous	14,797	22,473	(7,676)
Total General Receipts	<u>904,718</u>	<u>1,230,730</u>	<u>(326,012)</u>
Total Receipts	<u>1,312,117</u>	<u>1,673,211</u>	<u>(361,094)</u>
Disbursements:			
General Government	440,042	509,325	(69,283)
Public Safety	149,131	95,565	53,566
Public Works	329,633	302,582	27,051
Health	6,187	4,712	1,475
Capital Outlay	115,534	451,023	(335,489)
Debt Service			0
Principal Retirement	70,870	71,600	(730)
Interest and Fiscal Charges	18,494	2,961	15,533
Total Disbursements	<u>1,129,891</u>	<u>1,437,768</u>	<u>(307,877)</u>
Change in Net Assets	182,226	235,443	(53,217)
Net Assets, Beginning of Year	<u>878,718</u>	<u>643,275</u>	<u>235,443</u>
Net Assets, End of Year	<u>\$1,060,944</u>	<u>\$878,718</u>	<u>\$182,226</u>

Elyria Township
Lorain County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Program receipts represent only 31.05 percent of total receipts and are primarily comprised of operating grants and contribution receipts.

General receipts represent 68.95 percent of the Township's total receipts, and of this amount, 46.7 percent are property taxes. Municipal income taxes from the JEDD and grant and entitlements make up another 49.7 percent.

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.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, which account for 38.9 percent of all governmental disbursements. Public works disbursements account for 29.2 percent. Public safety disbursements make up 13.2 percent while capital outlay consists of 10.2 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 the general receipts which are presented at the bottom of the Statement. 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	
	2008	2007	2008	2007
General Government	\$440,042	\$509,325	(\$300,944)	(\$418,662)
Public Safety	149,131	95,565	(121,480)	(41,350)
Public Works	329,633	302,582	(89,976)	(100,888)
Health	6,187	4,712	(5,194)	(3,766)
Capital Outlay	115,534	451,023	(115,534)	(356,060)
Debt Service				
Principal Retirement	70,870	71,600	(70,870)	(71,600)
Interest and Fiscal Charges	18,494	2,961	(18,494)	(2,961)
Total Expenses	\$1,129,891	\$1,437,768	(\$722,492)	(\$995,287)

The dependence upon property and income tax receipts is apparent as 36.1 percent of governmental activities are supported through these general receipts.

Elyria Township
Lorain County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The Township's Funds

Total governmental funds had receipts of \$1,310,752 and disbursements of \$1,129,891, excluding Other Financing Sources and Uses. The General Fund and the JEDD Miscellaneous Capital Fund had the biggest changes in fund balances. The General Fund ended the year with an increase in fund balance of \$66,265. Although receipts decreased from 2007, disbursements decreased even more. The JEDD Miscellaneous Capital Fund had an increase in fund balance of \$113,190. This is due to the Township collecting more income tax from the JEDD and less disbursements from this fund.

General Fund Budgeting Highlights

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

For the General Fund, original and final budgeted revenues were \$527,180 and \$525,016, respectively and actual revenue collections were \$567,248, excluding Other Financing Sources. The majority of the increase in actual revenue over the final budgeted amount is due to intergovernmental revenues. For the General Fund, original and final appropriations were \$666,000 and \$665,874, respectively and actual expenditures were \$450,614, excluding Other Financing Uses. Actual expenditures were \$215,260 under the final appropriations.

Debt Administration

At December 31, 2008, the Township had outstanding debt in the amount of \$216,679 which consisted of \$9,799 in an OPWC loan and a \$206,880 loan to purchase land.

See Note 9 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 Elyria Township Fiscal Officer, 41416 Griswold Road, Elyria Township, Ohio 44035.

Elyria Township
Lorain County
Statement of Net Assets - Cash Basis
December 31, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,060,944
<i>Total Assets</i>	\$1,060,944
 Net Assets	
Restricted for:	
Capital Projects	\$425,161
Fire Protection	274,695
Street Lighting	2,425
Road and Bridge	246,621
Recycling	83,584
Unrestricted	28,458
<i>Total Net Assets</i>	\$1,060,944

See accompanying notes to the basic financial statements

Elyria Township
Lorain County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$440,042	\$68,902	\$70,196	\$0	(\$300,944)
Public Safety	149,131	27,651	0	0	(121,480)
Public Works	329,633	7,864	144,581	87,212	(89,976)
Health	6,187	993	0	0	(5,194)
Capital Outlay	115,534	0	0	0	(115,534)
Debt Service					
Principal Retirement	70,870	0	0	0	(70,870)
Interest and Fiscal Charges	18,494	0	0	0	(18,494)
Total Governmental Activities	<u>\$1,129,891</u>	<u>\$105,410</u>	<u>\$214,777</u>	<u>\$87,212</u>	<u>(722,492)</u>
		General Receipts			
		Property Taxes			
		General Purposes			114,996
		Road and Bridge			135,184
		Fire District			172,368
		Income Taxes Levied for the JEDD			130,405
		Grants and Entitlements not Restricted to Specific Programs			319,425
		Sale of Capital Assets			1,365
		Interest			16,178
		Miscellaneous			14,797
		Total General Receipts			<u>904,718</u>
		Change in Net Assets			182,226
		Net Assets, Beginning of Year			<u>878,718</u>
		Net Assets, End of Year			<u>\$1,060,944</u>

See accompanying notes to the basic financial statements

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Elyria Township
Lorain County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	<u>General</u>	<u>Road and Bridge</u>	<u>Fire Levy</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$102,252	\$119,575	\$258,095
<i>Total Assets</i>	<u>\$102,252</u>	<u>\$119,575</u>	<u>\$258,095</u>
Fund Balances			
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	102,252	0	0
Special Revenue Funds	0	119,575	258,095
Capital Projects Funds	0	0	0
<i>Total Fund Balances</i>	<u>\$102,252</u>	<u>\$119,575</u>	<u>\$258,095</u>

See accompanying notes to the basic financial statements

JEDD Miscellaneous Capital	Other Governmental Funds	Total Governmental Funds
\$425,161	\$155,861	\$1,060,944
<u>\$425,161</u>	<u>\$155,861</u>	<u>\$1,060,944</u>
0	0	102,252
0	160,119	537,789
425,161	(4,258)	420,903
<u>\$425,161</u>	<u>\$155,861</u>	<u>\$1,060,944</u>

**Elyria Township
Lorain County**

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2008

	General	Road and Bridge	Fire Levy
Receipts			
Property and Other Local Taxes	\$114,996	\$135,184	\$172,368
Income Taxes Levied for the JEDD	0	0	0
Charges for Services	61,315	361	0
Licenses, Permits and Fees	26,814	0	0
Intergovernmental	332,062	98,953	45,818
Special Assessments	0	0	0
Rentals	9,576	0	0
Interest	9,094	0	0
Other	13,391	828	578
<i>Total Receipts</i>	<u>567,248</u>	<u>235,326</u>	<u>218,764</u>
Disbursements			
Current:			
General Government	267,394	0	162,091
Public Safety	149,131	0	0
Public Works	990	202,619	0
Health	6,187	0	0
Capital Outlay	3,772	88,612	23,150
Debt Service:			
Principal Retirement	17,240	0	33,940
Interest and Fiscal Charges	5,900	0	6,693
<i>Total Disbursements</i>	<u>450,614</u>	<u>291,231</u>	<u>225,874</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>116,634</u>	<u>(55,905)</u>	<u>(7,110)</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	1,131	234	0
Transfers In	0	30,000	21,500
Transfers Out	(51,500)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(50,369)</u>	<u>30,234</u>	<u>21,500</u>
<i>Net Change in Fund Balances</i>	66,265	(25,671)	14,390
<i>Fund Balances, Beginning of Year</i>	<u>35,987</u>	<u>145,246</u>	<u>243,705</u>
<i>Fund Balances, End of Year</i>	<u><u>\$102,252</u></u>	<u><u>\$119,575</u></u>	<u><u>\$258,095</u></u>

See accompanying notes to the basic financial statements

JEDD Miscellaneous Capital	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$422,548
130,405	0	130,405
0	0	61,676
0	0	26,814
0	144,581	621,414
0	7,344	7,344
0	0	9,576
6,326	758	16,178
0	0	14,797
<u>136,731</u>	<u>152,683</u>	<u>1,310,752</u>
400	10,157	440,042
0	0	149,131
0	126,024	329,633
0	0	6,187
0	0	115,534
17,240	2,450	70,870
5,901	0	18,494
<u>23,541</u>	<u>138,631</u>	<u>1,129,891</u>
<u>113,190</u>	<u>14,052</u>	<u>180,861</u>
0	0	1,365
0	0	51,500
0	0	(51,500)
<u>0</u>	<u>0</u>	<u>1,365</u>
113,190	14,052	182,226
<u>311,971</u>	<u>141,809</u>	<u>878,718</u>
<u>\$425,161</u>	<u>\$155,861</u>	<u>\$1,060,944</u>

**Elyria Township
Lorain County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$143,978	\$143,978	\$114,996	(\$28,982)
Charges for Services	51,775	51,464	61,315	9,851
Licenses, Permits and Fees	22,642	22,506	26,814	4,308
Intergovernmental	281,712	280,159	332,062	51,903
Rentals	8,086	8,037	9,576	1,539
Interest	7,679	7,633	9,094	1,461
Other	11,308	11,239	13,391	2,152
<i>Total receipts</i>	<u>527,180</u>	<u>525,016</u>	<u>567,248</u>	<u>42,232</u>
Disbursements				
Current:				
General Government	272,559	272,433	267,394	5,039
Public Safety	182,483	182,483	149,131	33,352
Public Works	1,083	1,083	990	93
Health	6,769	6,769	6,187	582
Capital Outlay	177,106	177,106	3,772	173,334
Debt Service:				
Principal Retirement	20,000	20,000	17,240	2,760
Interest and Fiscal Charges	6,000	6,000	5,900	100
<i>Total Disbursements</i>	<u>666,000</u>	<u>665,874</u>	<u>450,614</u>	<u>215,260</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(138,820)</u>	<u>(140,858)</u>	<u>116,634</u>	<u>257,492</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	1,131	1,131
Transfers Out	0	0	(51,500)	(51,500)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(50,369)</u>	<u>(50,369)</u>
<i>Net Change in Fund Balance</i>	<u>(138,820)</u>	<u>(140,858)</u>	<u>66,265</u>	<u>207,123</u>
<i>Fund Balance, Beginning of Year</i>	<u>35,987</u>	<u>35,987</u>	<u>35,987</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>(\$102,833)</u>	<u>(\$104,871)</u>	<u>\$102,252</u>	<u>\$207,123</u>

See accompanying notes to the basic financial statements

Elyria Township
Lorain County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$161,773	\$161,773	\$135,184	(\$26,589)
Charges for Services	0	0	361	361
Intergovernmental	87,212	87,212	98,953	\$11,741
Other	0	0	828	828
<i>Total receipts</i>	<u>248,985</u>	<u>248,985</u>	<u>235,326</u>	<u>(13,659)</u>
Disbursements				
Current:				
Public Works	211,254	211,254	202,619	8,635
Capital Outlay	90,000	90,000	88,612	1,388
<i>Total Disbursements</i>	<u>301,254</u>	<u>301,254</u>	<u>291,231</u>	<u>10,023</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(52,269)	(52,269)	(55,905)	(3,636)
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	234	234
Transfers In	0	0	30,000	30,000
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>30,234</u>	<u>30,234</u>
<i>Net Change in Fund Balance</i>	(52,269)	(52,269)	(25,671)	26,598
<i>Fund Balance, Beginning of Year</i>	<u>145,246</u>	<u>145,246</u>	<u>145,246</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$92,977</u>	<u>\$92,977</u>	<u>\$119,575</u>	<u>\$26,598</u>

See accompanying notes to the basic financial statements

Elyria Township
Lorain County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Levy Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$207,240	\$207,240	\$172,368	(\$34,872)
Intergovernmental	0	0	45,818	45,818
Other	578	0	578	578
<i>Total receipts</i>	<u>207,818</u>	<u>207,240</u>	<u>218,764</u>	<u>11,524</u>
Disbursements				
Current:				
General Government	186,500	186,500	162,091	24,409
Capital Outlay	110,000	110,000	23,150	86,850
Debt Service:				
Principal Retirement	34,000	34,000	33,940	60
Interest and Fiscal Charges	7,000	7,000	6,693	307
<i>Total Disbursements</i>	<u>337,500</u>	<u>337,500</u>	<u>225,874</u>	<u>111,626</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(129,682)</u>	<u>(130,260)</u>	<u>(7,110)</u>	<u>123,150</u>
Other Financing Sources (Uses)				
Transfers In	0	0	21,500	21,500
<i>Net Change in Fund Balance</i>	<u>(129,682)</u>	<u>(130,260)</u>	<u>14,390</u>	<u>144,650</u>
<i>Fund Balance, Beginning of Year</i>	<u>243,705</u>	<u>243,705</u>	<u>243,705</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$114,023</u></u>	<u><u>\$113,445</u></u>	<u><u>\$258,095</u></u>	<u><u>\$144,650</u></u>

See accompanying notes to the basic financial statements

Elyria Township
Lorain County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$550</u>
<i>Total Assets</i>	<u><u>\$550</u></u>
Net Assets	
Unrestricted	<u>\$550</u>
<i>Total Fund Balances</i>	<u><u>\$550</u></u>

See accompanying notes to the basic financial statements

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 1 – Reporting Entity

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

The reporting entity is comprised of the primary government 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, fire protection, emergency medical services, and maintenance of Township roads and bridges. Police protection is provided by the Lorain County Sheriff.

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, one joint venture and one public entity risk pool. Notes 11, 12 and 13 to the financial statements provide additional information for these entities.

These organizations are:

Joint Venture:

Elyria Township – City of Elyria Joint Economic Development District (JEDD)

Jointly Governed Organizations:

Lorain County General Health District
Northeast Ohio Areawide Coordinating Agency

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority

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

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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. Fiduciary funds are reported by type.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

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. The funds of the Township are divided into two categories, governmental and fiduciary.

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.

Road and Bridge Fund This fund is used to account for property tax revenue used to provide road and bridge maintenance.

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

JEDD Miscellaneous Capital Fund This fund is used to account for municipal income tax monies received from the JEDD with the City of Elyria to pay for long term maintenance expenses.

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

Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for building permits.

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.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 certificate 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 2008, the Township invested in nonnegotiable certificates of deposit and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

STAR Ohio 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, 2008.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 were \$9,094 which includes \$5,958 assigned from other Township funds.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 7 and 8, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest 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 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 \$1,032,486, none of which are restricted by enabling legislation. 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.

M. Interfund Transactions

Transfers between governmental activities are eliminated on the governmental wide financial statements. 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. Interfund payments for services provided and used are not eliminated.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Interfund Transactions (Continued)

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 fund. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

Note 3 – 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, road and bridge special revenue fund, and fire levy special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the cash basis.

Note 4 – 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.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Township Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure repayment of all public monies deposited with the institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 4 – Deposits and Investments (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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; and
7. The State Treasurer's investment pool (STAR Ohio).

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.

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, \$782,439 of the Township's bank balance of \$1,123,322 was exposed to custodial credit risk because those deposits were uninsured and collateralized 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, 2008, the Township had \$156,665 invested in STAR Ohio with a maturity of less than one year.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 4 – Deposits and Investments (Continued)

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.

Credit Risk. STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Township has no investment policy that addresses credit risk.

Concentration of Credit Risk. The Township places no limit on the amount it can invest in any one issuer. The Township's allocation as of December 31, 2008 is 100 percent to STAR Ohio.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility and tangible personal property located in the Township. Property tax receipts received in 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. 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 tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 5 – Property Taxes (Continued)

The full tax rate for all Township operations for the year ended December 31, 2008, was \$6.78 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$59,644,840
Commercial/Industrial/Mineral	10,689,230
Tangible Personal Property	
Business	1,291,834
Public Utility	3,769,080
Total Assessed Values	<u>\$75,394,984</u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Note 6 – 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 2008, the Township belonged to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. More information for OTARMA can be found in Note 13.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

Plan Description - The Township participates 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.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 7 – Defined Benefit Pension Plan (Continued)

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) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The Township's contribution rate for 2008 was 14 percent, except for those plan members in law enforcement or public safety, for whom the Township's contribution rate was 17.40 percent of covered payroll. The portion of employer contributions allocated to health care was 7.00% in 2008 for all employers. State statute sets a maximum contribution rate for the Township of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$12,527, \$14,188, and \$14,323 respectively. The full amount has been contributed for 2008, 2007 and 2006. No contributions were made to the member-directed plan for 2008.

B. Social Security

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

Note 8 - Postemployment Benefits

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare.

The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 8 - Postemployment Benefits (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Township's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, and 2006 were \$12,527, \$9,345, and \$7,006 respectively; 100 percent has been contributed for 2008, 2007 and 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

Note 9 - Debt

Original issue amounts and interest rates of the Township's debt were as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
<i>Governmental Activities:</i>			
<i>General Obligation Bonds:</i>			
Ambulance Bond - 2006	4.75 %	\$50,000	2008
<i>Loan:</i>			
Land Purchase - 2007	7.00	258,600	2012
<i>OPWC Loans:</i>			
Murray Ridge Road - 2000	0.00	48,998	2010

The Township's long-term debt activity for the year ended December 31, 2008, was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>12/31/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2008</u>	<u>Due Within</u> <u>One Year</u>
Ambulance Bond	\$16,700	\$0	(\$16,700)	\$0	\$0
Land Purchase Loan	258,600	0	(51,720)	206,880	51,720
OPWC Loan	12,249	0	(2,450)	9,799	7,350
Total	\$287,549	\$0	(\$70,870)	\$216,679	\$59,070

The ambulance bond and land purchase loan 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 fire levy fund for the ambulance bond and out of the general fund, fire levy fund and JEDD miscellaneous capital fund for the land purchase loan.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 9 – Debt (Continued)

The OPWC loan was for resurfacing Murray Ridge Road. The OPWC loan is paid from the Public Works Commission capital projects fund.

The following is a summary of the Township's future annual debt service requirements:

	OPWC Loan	Land Purchase Loan	
	Principal	Principal	Interest
2009	\$7,350	\$51,720	\$14,482
2010	2,449	51,720	10,861
2011	0	51,720	7,242
2012	0	51,720	3,620
Total	\$9,799	\$206,880	\$36,205

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2008, were an overall debt margin of \$7,699,794 and an unvoted debt margin of \$3,930,045.

Note 10 – 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 11 – Jointly Governed Organizations

A. Lorain County General Health District

The Township participates in the Lorain County General Health District, a jointly governed organization, which provides health services to the citizens within the Health District. The Health District is governed by the Board of Health, which represents the area served by the Health District and oversees the operation of the Health District. The Board of Health members are appointed to staggered five year terms. One member is appointed by the City of North Ridgeville, one member is jointly appointed by the cities of Avon and Sheffield Lake and one member is jointly appointed by the cities of Amherst and Oberlin. The remaining five members are appointed by the various mayors of villages, chairmen of township trustees and the County Commissioners. The Township contributed \$10,441 during 2008 for the operation of the Health District. Financial information can be obtained by contacting the Lorain County General Health District, 9880 Murray Ridge Road, Elyria, Ohio, 44035.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 11 – Jointly Governed Organizations (Continued)

B. Northeast Ohio Areawide Coordinating Agency

The Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by a 38 member board. The board exercises total control over the operation of the corporation including budgeting, appropriation, contracting and designing management. Each participant's degree of control is limited to its representation on the board. During 2008, the Township contributed \$76 to the agency.

Note 12 – Joint Ventures

The Township participates in the Elyria Township – City of Elyria Joint Economic Development District (JEDD) which is created in accordance with sections 715.72 through 715.83 of the Ohio Revised Code. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Township and the City. The City and the Township shall work together to provide or cause to be provided, water, sewer, storm sewer, street lighting, roads, sidewalks and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of five members, the Township appoints two; one representing the Township and one representing the business owners in the JEDD, the City appoints two; one representing the City and one representing persons working within the JEDD, the fifth member shall serve as chairman and shall be elected by the other four members.

The Board adopted an annual budget for the JEDD and estimated the revenues and expenses of the operation of the JEDD. They also established the distribution of the income tax revenues. The Board is authorized to take such necessary and appropriate actions, or establish such programs to facilitate economic development in the JEDD area. Continued existence of the JEDD is dependent on the Township's continued participation; however, the Township does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the Township. In 2008, the JEDD had total distributions of \$652,025 of which \$130,405 went to the Township. Complete financial statements can be obtained from the Office of the City Auditor, City of Elyria, 131 Court Street, Elyria, Ohio 44035.

Note 13 – Public Entity Risk Pool

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 13 – Public Entity Risk Pool (Continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$23,406.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

2007	\$25,743
2008	21,875

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 14 – Compliance

Contrary to Ohio Revised Code Section 5705.39, the general fund had original appropriations of \$666,000 and certified available resources plus beginning balance of \$563,167, for an excess of \$102,833.

Contrary to Ohio Revised Code Section 5705.39, the general fund had final appropriations of \$665,874 and certified available resources plus beginning balance of \$561,003, for an excess of \$104,871.

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

The Motor Vehicle License Tax fund and the Public Works Commission fund had negative cash fund balances of \$67,037 and \$6,758, respectively, indicating that revenue from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10.

In order to eliminate future negative cash, the Township will make cash advances during the year.

Note 15 – Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to provide additional resources for current operations or debt service; and to segregate money for anticipated capital projects.

During 2008 the following transfers were made:

<u>Transfer To</u>	<u>Transfer From</u>
	<u>General Fund</u>
Major Fund:	
General Fund	\$0
Road and Bridge	30,000
Fire Levy	21,500
	<hr/>
Total	<u>\$51,500</u>

The general fund transfers were to the road and bridge and fire levy special revenue funds to cover expenses.



Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

We have selectively tested certain accounts, financial records, files, and reports of Elyria Township, Lorain County, Ohio, (the Township), as of and for the year ended December 31, 2008, following Ohio Admin. Code § 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters 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. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2008-010 through 2008-014.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Township. Noncompliance with these requirements could impact the Township's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2008-001 through 2008-009.

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

Mary Taylor, CPA
Auditor of State

October 15, 2010

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
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ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2008-001

Noncompliance

Approval of Transfers

Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code Section 5705.15.

Except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for General Fund transfers though a resolution is required).

Transfers and advances must be approved and clearly labeled as such by a formal resolution of the taxing authority of the subdivision which must include: a specific statement that the transaction is a transfer/advance of cash, and, if an advance, an indication of the money (fund) from which it is expected that repayment will be made.

During fiscal year 2008, we noted the Township made the following transfers which did not meet the criteria for proper transfers set forth in Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 which could result in the improper use of Township funds:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Motor Vehicle License Tax Fund	Road and Bridge Fund	\$683
Motor Vehicle License Tax Fund	Street Lighting Fund	1,500
Gasoline Tax Fund	Fire Levy Fund	15,100
Gasoline Tax Fund	Public Works Fund	2,500
Permissive Motor Vehicle License Tax Fund	Road and Bridge Fund	7,500
Permissive Motor Vehicle License Tax Fund	Fire Levy Fund	1,500

We also noted the Township transferred funds prior to being approved by the Board of Trustee's and transfers were not made by a formal resolution. These transfers do not meet the criteria for proper transfers set forth in Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16. These variances inhibit management's and the Board of Trustees' ability to determine the accuracy and completeness of the Township's financial reporting.

We recommend the Board of Trustee's and Fiscal Officer make transfers and advances in accordance with the aforementioned Ohio Revised Code provisions. In addition, all transfers and advances should be approved by the Board of Trustee's prior to being entered into the Township's accounting system.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)**

FINDING NUMBER 2008-002

Noncompliance

Allocation of Interest

Ohio Constitution, Article XII, Section 5a, and 1982 Op. Atty Gen. No. 82-031, state that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The Township has pooled cash investments from various funds, including the Gasoline Tax Fund, but has not distributed the interest earned on its pooled investments in accordance with the above requirements. The Township should have allocated \$574 to the Gasoline Tax Fund in fiscal year 2008. As a result, revenues were overstated in the General Fund and understated in the Gasoline Tax Fund.

We recommend the Township ensure that interest earned on money derived from motor vehicle license or fuel tax be posted in the appropriate fund.

FINDING NUMBER 2008-003

Noncompliance

Negative Fund Balances

Ohio Revised Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund, or in the case of the General Fund, that appropriations and budgetary expenditures exceeded estimated resources and actual receipts.

At December 31, 2008, the Township experienced a negative cash fund balance in the Motor Vehicle License Tax Fund of \$67,037 and in the Public Works Commission Fund of \$6,757.

We recommend the Township compare estimated receipts and appropriations with actual receipts and expenditures on a monthly basis during the year to ensure the Township is not spending more than is appropriated or actually available for expenditure.

ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)

FINDING NUMBER 2008-004

Noncompliance

Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township's legal level of control is at the fund level.

The following funds had appropriations exceeding original estimated resources at the beginning of fiscal year 2008:

Fund Name	Appropriations	Estimated Resources	Variance
General Fund	\$666,000	\$563,167	(\$102,833)
Motor Vehicle License Tax Fund	35,960	(17,366)	(53,326)

The following funds had appropriations exceeding estimated resources at the legal level of budgetary control on December 31, 2008:

Fund Name	Appropriations	Estimated Resources	Variance
General Fund	\$665,874	\$561,003	(\$104,871)
Motor Vehicle License Tax Fund	35,960	(17,366)	(53,326)

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

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)**

FINDING NUMBER 2008-005

Noncompliance

Legal Level of Budgetary Control

Ohio Administrative Code 117-2-02(C)(1) states in part that the legal level of control is the level (e.g. fund, program or function, department, object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to the provisions of Chapter 5705 of the Ohio Revised Code, except school districts and public libraries, the minimum legal level of control is described in Section 5705.38 of the Ohio Revised Code. Ohio Rev. Code § 5705.38(C) provides that subdivisions, including townships, shall classify appropriation measures so as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services.

During our review of the Township's appropriation ordinances, we noted the Township's legal level of control was at the fund level, which does not meet the legal level of control prescribed above.

We recommend the Township approve appropriations at the legal level of control required by Ohio Rev. Code Section 5705.38(C).

FINDING NUMBER 2008-006

Noncompliance

Blanket Fiscal Officer Certificates

Ohio Revised Code Section 5705.41(D) states, in part, that fiscal officers may prepare so-called "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year.

We noted the Township utilized blanket purchase orders during fiscal year 2008, but the Trustees did not adopt a resolution or ordinance establishing the maximum amount for which a blanket certificate may be issued.

We recommend the Township Trustees adopt a resolution or ordinance establishing a maximum amount for which blanket fiscal officer certificates may be issued in order to maintain compliance with this requirement.

ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)

FINDING NUMBER 2008-007

Noncompliance

Proper Encumbrance of Funds

Ohio Revised Code Section 5705.41(D), provides that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

"Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

During our testing, we noted 5 out of 25 expenditures (20%) were entered into prior to receiving the Fiscal Officer's certification. Although purchase orders were certified by the Fiscal Officer after the fact, invoices received before a purchase order is prepared precludes the Clerk-Treasurer from certifying funds are available before the expenditure is made.

We also noted that the Board of Trustees did not approve by resolution the expenditures exceeding \$3,000 for which "then and now" certification was used.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)**

FINDING NUMBER 2008-007 (Continued)

Noncompliance

Proper Encumbrance of Funds (Continued)

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

We recommend the Township certify expenditures to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Township should also make sure that when "then and now" certification is used for expenditures exceeding \$3,000, that the expenditures are subsequently approved by the Board of Trustees through resolution.

FINDING NUMBER 2008-008

Noncompliance

Investment Training Certificate

Ohio Revised Code Section 135.22 requires subdivision treasurers to complete annual continuing education programs provided by the Treasurer of State. The Treasurer of State issues a certificate indicating that the treasurer has successfully completed the continuing education program. The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State, that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only: (1) Interim deposits pursuant to Ohio Revised Code section 135.14(B)(3); (2) STAR Ohio pursuant to Ohio Revised Code Section 135.14(B)(6); or (3) No-load money market mutual funds pursuant to Ohio Revised Code Section 135.14(B)(5).

There was no evidence the Fiscal Officer attended the Treasurer of State training for investments or a notice of exemption indicating the Fiscal Officer was not required to attend the training. By not attending the investment training, the Township could invest public funds into improper investments.

We recommend the Township Fiscal Officer maintain the Treasurer of State training certificates, or the notice of exemption certified by the Treasurer of State indicating the Fiscal Officer was not required to attend the training.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)**

FINDING NUMBER 2008-009

Noncompliance

Retention of Public Records

Ohio Revised Code Section 149.351(A) states in part that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions. Ohio Revised Code Section 149.43(B)(1) provides that all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during the regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. Subsection (B)(2) provides that in order to facilitate broader access to public inspection, governmental units shall maintain public records in such a manner that they can be made available for inspection or copying.

The Township was not able to provide appropriate documentation supporting three expenditures made during fiscal year 2008. The Township's failure to maintain adequate public records could result in a loss of accountability over the Township's finances and make it difficult for the Township to identify errors which could go undetected. In addition, failing to maintain original vouchers or complete supporting documentation could result in the Township making payment on a voucher that would otherwise not have been approved, which could indicate an improper interest in expenditures by a public official.

We recommend the Township maintain all public records at the Township Hall as required by the Ohio Revised Code.

FINDING NUMBER 2008-010

Disaster Recovery and Computer Back-Up Procedures

Sound computer backup practices require that a periodic copy of the system and data files be retained off-site to ensure their availability in the event of complete data loss.

Although backup procedures are available through the Uniform Accounting Network (UAN) utilized by the Township, the Township does not regularly back up its files. In addition, all of the Township's manual records are maintained in the same location as the UAN-issued computer, which is the Fiscal Officer's home.

The Township's practice of not backing up its data files and the storing of all supporting manual records at the same location as the computer increases the risk that the data will not be available and allows for a potential serious disruption of operations in the event of a disaster.

We recommend the Township establish back-up procedures which include creating and storing weekly backups in a safe and secure location, and that the back-up files and manual records be rotated off-site to a location (perhaps Town Hall) where the Township can ensure adequate environmental protection and access controls.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)**

FINDING NUMBER 2008-010 (Continued)

Disaster Recovery and Computer Back-Up Procedures (Continued)

We also recommend the Township adopt a written disaster recovery plan, in order to further minimize potential costs associated with the recovery and/or recreation of pertinent financial information. An elaborate plan may not be necessary; however, additional tasks should be performed to ensure efficient recovery if a disaster occurs. We recommend at a minimum, the following be developed:

- Recovery terms and definitions;
- Technical (hardware/software) recovery procedures;
- End user recovery procedures;
- Readiness plan; and an
- Emergency contact list.

Once completed, the plan should be periodically reviewed and tested to ensure its continued applicability. This review should also ensure that personnel are sufficiently trained to carry out procedures necessary to restore functions critical to business operations. All individuals responsible for the disaster recovery plan tasks should be knowledgeable of their duties and retain a copy of the plan. Additionally, an updated copy of the plan and restore procedure documentation should also be kept off-site.

FINDING NUMBER 2008-011

Uniform Accounting Network Budgetary Procedures

Budgetary amounts entered into the Uniform Accounting Network (UAN) accounting system did not always agree with the Township's applicable certificate of estimated resources and appropriation resolutions.

Failure to properly enter and update these budgeted amounts limits the Township's ability to monitor revenues and expenditures against the budgeted estimates could result in noncompliance with budgetary compliance requirements.

We recommend the Fiscal Officer accurately, and in a timely manner, enter and update the estimated receipt and approved appropriations into the UAN accounting system to enhance the Township's monitoring of budget versus actual information.

FINDING NUMBER 2008-012

Employee Personnel File Documentation

During our review of employee personnel files, we noted the Township's files did not contain the appropriate authorization documents for each employee. Employee personnel files should contain the employee's job application, hiring authorization, position and authorized salary, deduction authorizations for deferred compensation or charitable contributions, retirement system participation, and federal, state and local income tax withholding authorizations. This could lead to improper payroll expenditures or unauthorized payroll deductions.

We recommend the Fiscal Officer establish a system of employee personnel files containing the above mentioned documentation for each of the Township's employees.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008
(Continued)**

FINDING NUMBER 2008-013

Monitoring of Expenditures

Expenditures should be posted to correct accounting codes.

During our review of the Township's expenditures, we noted three instances in which the description and account code on blanket purchase orders did not match the purpose of the respective expenditures, which resulted in expenditures being charged to the incorrect account code.

We recommend the Township be more attentive in its posting of expenditures. The descriptions on the blanket purchase orders should match the expenditure line being charged, as well as the purpose of the expenditure.

FINDING NUMBER 2008-014

Audit Committee

The National Commission on Fraudulent Financial Reporting (known as the Treadway Commission), has stated that audit committees can serve as "informed, vigilant, and effective overseers of the financial reporting process and internal controls." An audit committee should perform the following functions:

- Review the annual unaudited financial report submitted to the Auditor of State;
- Periodically review the process used to prepare interim financial information submitted to the Township;
- Review audit results;
- Assure that the audit recommendations are appropriately addressed; and
- Serve as liaison between management and independent auditors.

Generally accepted auditing standard require that auditors communicate the following to an audit committee:

- The auditors' professional responsibility under generally accepted auditing standards;
- Selections of accounting policies;
- Sensitive accounting estimates;
- Significant audit adjustments;
- Disagreements with management; and
- Difficulties encountered in performing the audit.

The audit committee can include members of the Township; however, it is preferable to include representation that is independent from elected/appointed officials or management. The committee could include professionals, knowledgeable in the Township's operations and accounting, such as attorneys or bankers. The audit committee should meet regularly (perhaps quarterly) to monitor the Township's financial reporting and control activities, and should meet with its independent auditors before and after each audit.

We recommend the Township establish an audit committee and meet on a regular basis outside of the scope of the financial audit.

Official Response to Findings:

The Township considers the findings a positive way to improve performance of fiscal operations and to show continued improvement where and when possible.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Interfund Transfers – Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16	No	Reissued as Finding 2008-001
2007-002	Allocation of Interest – Ohio Rev. Code Section 117.28	No	Reissued as Finding 2008-002
2007-003	Certification of Tax Levies – Ohio Rev. Code Section 5705.34	Yes	
2007-004	Negative Fund Balances – Ohio Rev. Code Section 5705.10(H)	No	Reissued as Finding 2008-003
2007-005	Appropriations Exceeding Estimated Resources – Ohio Rev. Code Section 5705.39	No	Reissued as Finding 2008-004
2007-006	Expenditures in Excess of Appropriation Authority – Ohio Rev. Code Section 5705.41(B)	Yes	
2007-007	Legal Level of Budgetary Control – Ohio Rev. Code Section 5705.38(C)	No	Reissued as Finding 2008-005
2007-008	Blanket Fiscal Officer Certificates – Ohio Rev. Code Section 5705.41(D)	No	Reissued as Finding 2008-006
2007-009	Proper Encumbrance of Funds – Ohio Rev. Code 5705.41(D)	No	Reissued as Finding 2008-007
2007-010	Timely Depositing of Receipts – Ohio Rev. Code Section 9.38	Yes	
2007-011	Investment Training Certificate – Ohio Rev. Code Section 135.22	No	Reissued as Finding 2008-008
2007-012	Retention of Public Records – Ohio Rev. Code Section 149.351(A)	No	Reissued as Finding 2008-009
2007-013	Establishment of Funds – Ohio Rev. Code Section 5705.09	Yes	
2007-014	Disaster Recovery and Computer Back-Up Procedures	No	Reissued as Finding 2008-010
2007-015	Uniform Accounting Network Budgetary Procedures	No	Reissued as Finding 2008-011
2007-016	Employee Personnel File Documentation	No	Reissued as Finding 2008-012
2007-017	Monitoring Financial Activity	Yes	
2007-018	Monitoring of Expenditures	No	Reissued as Finding 2008-013
2007-019	Audit Committee	No	Reissued as Finding 2008-014



Mary Taylor, CPA
Auditor of State

ELYRIA TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 11, 2011**