



Dave Yost • Auditor of State

**ELYRIA TOWNSHIP
LORAIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elyria Township, Lorain County, Ohio (the Township), as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elyria Township, Lorain County, Ohio, as of December 31, 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General, Road & Bridge, FEMA Grant and Fire Levy Funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Township's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

September 25, 2012

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(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, 2011, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Financial Highlights

Key highlights for 2011 are as follows:

- The Township's net assets at December 31, 2011 were \$971,415.
- The Township's general receipts are primarily property taxes and grants and entitlement. General receipts represent 70 percent of the total cash received for governmental activities during 2010. Program specific receipts in the form of charges for services and assessments and operating grants and contributions represent the remaining 30 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.

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.

ELYRIA TOWNSHIP
LORAIN COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Reporting Elyria Township as a Whole

The *Statement of Net Assets* and *Statement of Activities* reflect how the Township did financially during 2011, within the limitations of cash basis accounting. The *Statement of Net Assets* presents the cash balances and investments of the governmental type activities of the Township at year end. The *Statement of Activities* compares cash disbursements with program receipts for each governmental. 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 or business-type activity 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 extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue source, property taxes.

The *Statement of Net Assets* and *Statement of Activities* present governmental activities which include all the Township's services. The Township has no business-type activities.

Reporting Elyria Township's Most Significant Funds

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 funds of the Township are all governmental funds.

Governmental Funds - The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Road & Bridge Fund, Fire Levy Fund, FEMA Grant Fund and the Joint Economic Development District (JEDD) Miscellaneous Capital Fund. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements.

Elyria Township as a Whole

Table 1 provides a summary of the Elyria Township's net assets for 2011 compared to 2010 on a cash basis:

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

(Table 1)

Net Assets

	Governmental Activities		Change
	2011	2010	2010 to 2011
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 971,415	\$ 956,547	\$ 14,868
Total Assets	<u>971,415</u>	<u>956,547</u>	<u>14,868</u>
Net Assets			
Restricted for:			
Capital Projects	271,845	271,610	235
Other Purposes	380,093	436,779	(56,686)
Unrestricted	319,477	248,158	71,319
Total Net Assets	<u>\$ 971,415</u>	<u>\$ 956,547</u>	<u>\$ 14,868</u>

Net assets of governmental activities increased \$14,868 from 2010 to 2011 or 2 percent.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Table 2 shows the changes in net assets in 2011 compared to changes in net assets in 2010 for Government Activities.

(Table 2)
Changes in Net Assets

	Governmental Activities		Change
	2011	2010	2010 to 2011
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$88,736	\$87,235	1,501
Operating Grants and Contributions	91,202	175,342	(84,140)
Capital Grants and Contributions	179,982	0	179,982
Total Program Receipts	<u>359,920</u>	<u>262,577</u>	<u>97,343</u>
General Receipts:			
Property and Other Local Taxes	504,313	534,391	(30,078)
Grants and Entitlements Not Restricted to Specific Programs	151,427	119,726	31,701
Sale of Fixed Assets	25,553	258	25,295
Cable Franchise Fees	22,067	21,146	921
Interest	827	1,355	(528)
Miscellaneous	84,515	2,360	82,155
Special Items	30,029	40,678	(10,649)
Total General Receipts	<u>818,731</u>	<u>719,914</u>	<u>98,817</u>
Total Receipts	<u>1,178,651</u>	<u>982,491</u>	<u>196,160</u>
Disbursements:			
General Government	497,180	492,624	4,556
Public Safety	68,993	67,405	1,588
Health Services	9,777	10,251	
Public Works	251,615	395,055	(143,440)
Capital Outlay	296,333	3,679	292,654
Principal Retirement	34,997	43,660	(8,663)
Interest and Fiscal Charges	4,888	7,321	(2,433)
Total Disbursements	<u>1,163,783</u>	<u>1,019,995</u>	<u>143,788</u>
Increase (Decrease) in Net Assets	14,868	(37,504)	52,372
Net Assets, January 1	956,547	994,051	(37,504)
Net Assets, December 31	<u>\$971,415</u>	<u>\$956,547</u>	<u>\$14,868</u>

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Program receipts represent only 30 percent of total receipts and are primarily comprised of operating grants and contribution receipts.

General receipts represent 70 percent of the Township's total receipts, and of this amount, 60 percent are property taxes.

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*, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government and Capital Outlay which account for 43 and 26 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Cash 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	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2011	2010	2011	2010
General Government	\$ 497,180	\$ 492,624	\$ (497,180)	\$ (492,624)
Public Safety	68,993	67,405	181,219	1,107
Public Works	251,615	395,055	(160,413)	(219,713)
Health	9,777	10,251	(9,777)	(10,251)
Other	-	-	18,506	18,723
Capital Outlay	296,333	3,679	(296,333)	(3,679)
Debt Service:				
Principal Retirement	34,997	43,660	(34,997)	(43,660)
Interest and Fiscal Charges	4,888	7,321	(4,888)	(7,321)
Total Expenses	\$ 1,163,783	\$ 1,019,995	\$ (803,863)	\$ (757,418)

ELYRIA TOWNSHIP
LORAIN COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

The Township's Funds

Total governmental funds had receipts of \$1,178,651 and disbursements of \$1,163,783.

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 \$396,728 and \$394,087, and actual revenue collections were \$434,923. The majority of the increase in actual revenue over the final budgeted amount is due to the sale of capital asset revenues. For the General Fund, original and final appropriations were \$551,478 and \$552,278, respectively and actual expenditures were \$367,174. Actual expenditures were \$184,304 under the final appropriations.

Capital Assets and Debt Administration

The Township does not currently report its capital assets and infrastructure and has no plans to implement any capital asset inventory system.

At December 31, 2011, the Township had outstanding debt in the amount of \$51,720 which consisted of a loan to purchase land.

See Note 9 in the financial statements for more information of the Township's outstanding debt.

Current Issues

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 our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Elyria Township Fiscal Officer, 41416 Griswold Road, Elyria Township, Ohio 44035.

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ELYRIA TOWNSHIP, LORAIN COUNTY

Statement of Net Assets - Cash Basis

December 31, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$971,415
<i>Total Assets</i>	<u><u>971,415</u></u>
Net Assets	
Restricted for:	
Capital Projects	271,845
Other Purposes	380,093
Unrestricted	319,477
<i>Total Net Assets</i>	<u><u>\$971,415</u></u>

See accompanying notes to the basic financial statements

ELYRIA TOWNSHIP, LORAIN COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2011*

	Program Cash Receipts			Net (Disbursements)	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets	
			Capital Grants and Contributions	Total	
Governmental Activities					
Current:					
General Government	\$497,180	\$0	\$0	\$0	(\$497,180)
Public Safety	68,993	70,230	0	179,982	181,219
Public Works	251,615	0	91,202	0	(160,413)
Health	9,777	0	0	0	(9,777)
Other	0	18,506	0	0	18,506
Capital Outlay	296,333	0	0	0	(296,333)
Debt Service:					
Principal Retirement	34,997	0	0	0	(34,997)
Interest and Fiscal Charges	4,888	0	0	0	(4,888)
<i>Total Governmental Activities</i>	<u>1,163,783</u>	<u>88,736</u>	<u>91,202</u>	<u>179,982</u>	<u>(803,863)</u>
General Receipts					
Property Taxes					489,709
Other Local Taxes					14,604
Grants and Entitlements not Restricted to Specific Programs					151,427
Sale of Capital Assets					25,553
Cable Franchise Fees					22,067
Earnings on Investments					827
Miscellaneous					84,515
Special Item					30,029
Total General Receipts					<u>818,731</u>
Change in Net Assets					14,868
<i>Net Assets Beginning of Year</i>					<u>956,547</u>
<i>Net Assets End of Year</i>					<u>\$971,415</u>

See accompanying notes to the basic financial statements

ELYRIA TOWNSHIP, LORAIN COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2011

	GENERAL	ROAD AND BRIDGE	FIRE LEVY	AFG/FEMA GRANT--LIV FIRE
Assets				
Equity in Pooled Cash and Cash Equivalents	\$319,477	\$204,101	\$29,122	\$0
<i>Total Assets</i>	<u>\$319,477</u>	<u>\$204,101</u>	<u>\$29,122</u>	<u>\$0</u>
Fund Cash Balance, December 31				
Restricted	\$0	\$204,101	\$29,122	\$0
Committed	3,570	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	315,907	0	0	0
<i>Fund Cash Balance, December 31</i>	<u>\$319,477</u>	<u>\$204,101</u>	<u>\$29,122</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

JEDD MISC.	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$268,803	\$149,912	\$971,415
\$268,803	\$149,912	\$971,415
\$0	\$149,912	\$383,135
0	0	3,570
268,803	0	268,803
0	0	315,907
\$268,803	\$149,912	\$971,415

ELYRIA TOWNSHIP, LORAIN COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	GENERAL	ROAD AND BRIDGE	FIRE LEVY	AFG/FEMA GRANT--LIV FIRE
Receipts				
Property and Other Local Taxes	\$116,300	\$119,992	\$161,529	\$0
Charges for Services	70,230	0	0	0
Licenses, Permits and Fees	29,306	0	0	0
Intergovernmental	141,115	34,300	48,319	179,982
Special Assessments	0	0	0	0
Earnings on Investments	491	0	0	0
Miscellaneous	51,938	12,606	0	0
Total Receipts	409,380	166,898	209,848	179,982
Disbursements				
Current:				
General Government	270,470	0	210,106	0
Public Safety	42,864	0	26,129	0
Public Works	15,202	89,832	0	0
Health	9,777	0	0	0
Capital Outlay	0	66,351	0	179,982
Debt Service:				
Principal Retirement	17,757	0	17,240	0
Interest and Fiscal Charges	2,444	0	2,444	0
Total Disbursements	358,514	156,183	255,919	179,982
Excess of Receipts Over (Under) Disbursements	50,866	10,715	(46,071)	0
Other Financing Sources (Uses)				
Sale of Capital Assets	25,553	0	0	0
Transfers In	0	0	0	0
Transfers Out	(4,500)	0	0	0
Advances In	0	0	0	0
Advances Out	(600)	0	0	0
Total Other Financing Sources (Uses)	20,453	0	0	0
Net Change in Fund Balances	71,319	10,715	(46,071)	0
Fund Balances Beginning of Year	248,158	193,386	75,193	0
Fund Balances End of Year	<u>\$319,477</u>	<u>\$204,101</u>	<u>\$29,122</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

JEDD MISC.	OTHER GOVERNMENTAL FUNDS	TOTAL
\$0	\$34,185	\$432,006
0	0	70,230
0	0	29,306
0	141,202	544,918
0	11,267	11,267
235	101	827
0	0	64,544
<hr/>	<hr/>	<hr/>
235	186,755	1,153,098
<hr/>	<hr/>	<hr/>
0	16,604	497,180
0	0	68,993
0	146,581	251,615
0	0	9,777
0	50,000	296,333
0	0	34,997
0	0	4,888
<hr/>	<hr/>	<hr/>
0	213,185	1,163,783
<hr/>	<hr/>	<hr/>
235	(26,430)	(10,685)
<hr/>	<hr/>	<hr/>
0	0	25,553
0	4,500	4,500
0	0	(4,500)
0	600	600
0	0	(600)
<hr/>	<hr/>	<hr/>
0	5,100	25,553
<hr/>	<hr/>	<hr/>
235	(21,330)	14,868
<hr/>	<hr/>	<hr/>
268,568	171,242	956,547
<hr/>	<hr/>	<hr/>
\$268,803	\$149,912	\$971,415
<hr/>	<hr/>	<hr/>

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, 2011

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$118,132	\$116,551	\$116,300	(\$251)
Charges for Services	67,000	67,000	70,220	3,220
Licenses, Permits and Fees	33,000	33,000	29,306	(3,694)
Fines and Forfeitures	0	0	0	0
Intergovernmental	158,106	157,046	141,115	(15,931)
Special Assessments	0	0	0	0
Earnings on Investments	2,000	2,000	491	(1,509)
Miscellaneous	18,490	18,490	51,938	33,448
<i>Total receipts</i>	<u>396,728</u>	<u>394,087</u>	<u>409,370</u>	<u>15,283</u>
Disbursements				
Current:				
General Government	309,701	318,401	270,470	47,931
Public Safety	147,000	142,100	42,864	99,236
Public Works	60,000	57,000	19,279	37,721
Health	9,777	9,777	9,777	0
Human Services	0	0	0	0
Conservation-Recreation	0	0	0	0
Other	0	0	0	0
Capital Outlay	20,000	20,000	19,684	316
<i>Total Disbursements</i>	<u>546,478</u>	<u>547,278</u>	<u>362,074</u>	<u>185,204</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(149,750)</u>	<u>(153,191)</u>	<u>47,296</u>	<u>200,487</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	25,553	25,553
Transfers Out	(5,000)	(5,000)	(4,500)	500
Advances Out	0	0	(600)	(600)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,000)</u>	<u>(5,000)</u>	<u>20,453</u>	<u>25,453</u>
<i>Net Change in Fund Balance</i>	(154,750)	(158,191)	67,749	225,940
<i>Unencumbered Cash Balance Beginning of Year</i>	241,204	241,204	241,204	0
Prior Year Encumbrances Appropriated	6,954	6,954	6,954	0
<i>Unencumbered Cash Balance End of Year</i>	<u>\$93,408</u>	<u>\$89,967</u>	<u>\$315,907</u>	<u>\$225,940</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, 2011

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$130,755	\$128,978	\$130,557	\$1,579
Intergovernmental	42,577	42,577	23,735	(18,842)
Miscellaneous	3,000	3,000	12,606	9,606
<i>Total receipts</i>	<u>176,332</u>	<u>174,555</u>	<u>166,898</u>	<u>(7,657)</u>
Disbursements				
Current:				
Public Works	209,441	209,441	89,832	119,609
Capital Outlay	100,000	100,000	66,351	33,649
<i>Total Disbursements</i>	<u>309,441</u>	<u>309,441</u>	<u>156,183</u>	<u>153,258</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(133,109)</u>	<u>(134,886)</u>	<u>10,715</u>	<u>145,601</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	179,374	179,374	179,374	0
Prior Year Encumbrances Appropriated	<u>14,012</u>	<u>14,012</u>	<u>14,012</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$60,277</u>	<u>\$58,500</u>	<u>\$204,101</u>	<u>\$145,601</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, 2011

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$178,300	\$175,634	\$177,376	\$1,742
Intergovernmental	59,332	59,332	32,472	(26,860)
Earnings on Investments	250	250	0	(250)
Miscellaneous	250	250	0	(250)
<i>Total receipts</i>	<u>238,132</u>	<u>235,466</u>	<u>209,848</u>	<u>(25,618)</u>
Disbursements				
Current:				
General Government	226,000	226,000	210,106	15,894
Public Safety	34,968	34,968	26,129	8,839
Capital Outlay	20,000	20,000	19,684	316
<i>Total Disbursements</i>	<u>280,968</u>	<u>280,968</u>	<u>255,919</u>	<u>25,049</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(42,836)</u>	<u>(45,502)</u>	<u>(46,071)</u>	<u>(569)</u>
<i>Net Change in Fund Balance</i>	(42,836)	(45,502)	(46,071)	(569)
<i>Unencumbered Cash Balance Beginning of Year</i>	74,193	74,193	74,193	0
Prior Year Encumbrances Appropriated	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$32,357</u>	<u>\$29,691</u>	<u>\$29,122</u>	<u>(\$569)</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
AFG/FEMA Grant Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$0	\$179,982	\$179,982	\$0
<i>Total receipts</i>	<u>0</u>	<u>179,982</u>	<u>179,982</u>	<u>0</u>
Disbursements				
Current:				
Capital Outlay	0	179,982	179,982	0
<i>Total Disbursements</i>	<u>0</u>	<u>179,982</u>	<u>179,982</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

ELYRIA TOWNSHIP, LORAIN COUNTY

Statement of Fiduciary Net Assets - Cash Basis

Fiduciary Funds

December 31, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$127,661</u>
<i>Total Assets</i>	<u><u>\$127,661</u></u>
Net Assets	
Held on Behalf of JEDD Tax	\$127,140
Held on Behalf of State Building Permit Fees	521
<i>Total Net Assets</i>	<u><u>\$127,661</u></u>

See accompanying notes to the basic financial statements

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 does not report any component units.

C. Jointly Governed Organizations and Public Entity Risk Pools

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest. The Township participates in the Lorain County Regional Planning Commission, a forty-eight member board.

The Township participates in two jointly governed organizations, one joint venture and one public entity risk pool. Notes 7, 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

ELYRIA TOWNSHIP
LORAIN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 1 – Reporting Entity (Continued)

C. Jointly Governed Organizations and Public Entity Risk Pools (continued)

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.

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, 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. The statements consist solely of those activities of the Township that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The *Statement of Net Assets* presents the cash balance 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.

ELYRIA TOWNSHIP
LORAIN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 the General, Road and Bridge, Fire Levy, FEMA Grant and JEDD Miscellaneous Capital Funds. The General 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.

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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, 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 resolution 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.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

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

The appropriations resolution 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 resolution 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. Each Fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase 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. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2011, the Township's investments were limited to Certificates of Deposit and STAR Ohio, both of which are reported as cash equivalents.

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, 2011.

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 2010 were \$491.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township had no restricted assets in 2011.

G. 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.

ELYRIA TOWNSHIP
LORAIN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 2 – Summary of Significant Accounting Policies (Continued)

H. 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.

I. 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.

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

L. 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 \$651,938, 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.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

ELYRIA TOWNSHIP
LORAIN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Fund Balance (Continued)

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. 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.

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

Note 3 – Change in Accounting Principle

For 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported:

ELYRIA TOWNSHIP
LORAIN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The *Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis* presented for the General, Road & Bridge, FEMA Grant and Fire Levy Funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances and are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). For major funds, the encumbrances outstanding at year end (budgetary basis) amounted to \$3,570 for the General Fund.

Note 5 – Deposits and Investments

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

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

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

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

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

1. 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;
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 Ohio local governments;
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;
7. The State Treasurer's investment pool (STAR Ohio).

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 5 – Deposits and Investments (Continued)

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

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

A. Deposits

At year-end, the Township's bank balance was \$1,034,805. Of the bank balance:

1. \$634,805 was uninsured and uncollateralized. Although collateral for the securities was held by the pledging financial institution trust department in the Township's name and all statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements would potentially subject the Township to a successful claim by the FDIC.

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.

B. Investments

The Township has chosen to not adopt a written investment policy and, therefore, limits investments to certificates of deposit, savings account, no-load money market mutual funds and STAR Ohio as permitted by ORC 135.14.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Township had \$64,271 on deposit with STAR Ohio at year end.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 6 – Property Taxes (Continued)

Public utility property tax receipts received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2010, were levied after October 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Township operations for the year ended December 31, 2011, was \$6.78 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	
Residential	\$55,245,580
Agriculture	951,470
Commercial/Other	10,579,910
Public Utility Property	4,011,730
Total Assessed Value	<u>\$70,788,690</u>

Note 7 – Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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.

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, 2011, OTARMA retained \$350,000 for casualty claims and \$150,000 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.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 7 – Risk Management (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	(9,718,792)	(10,664,724)
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.0 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$16,591.

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.

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$22,420	\$18,100

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

Note 8 - Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 9 – Debt

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<i>Governmental Activities:</i>			
<i>Loan:</i>			
Land Purchase – 2008	7.00%	\$258,600	2012
<i>OPWC Loans:</i>			
Murray Ridge Road - 2009	0.00	8,283	2017

The Township’s long-term debt activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011	Due Within One Year
<u>Governmental Activities</u>					
Land Purchase Loan	\$103,440	\$0	(\$1,720)	\$51,720	\$51,720
OPWC Loan – 2009	517	0	(517)	0	0
Total	\$103,957	\$0	(\$2,237)	\$51,720	\$51,720

The land purchase loan is supported by the full faith and credit of the Township and is 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 General fund, Fire Levy fund and JEDD Miscellaneous Capital fund for the land purchase loan.

The OPWC loans were for resurfacing Murray Ridge Road. The OPWC loans are paid from the General fund and Road and Bridge fund.

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

	Land Purchase Loan	
	Principal	Interest
2012	51,720	3,620
2013	0	0
2014	0	0
2015	0	0
Total	\$51,720	\$3,620

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, 2011, were an overall debt margin of \$7,381,092 and an unvoted debt margin of \$3,841,658.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 10 – Interfund 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 2011 the following transfers were made:

<u>Transfer To</u>	<u>Transfer From General Fund</u>
Nonmajor funds: Street Lighting	\$4,500
Total	\$4,500

Note 11 – Contingent Liabilities

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 12 – 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. Financial information can be obtained by contacting the Lorain County General Health District, 9880 Murray Ridge Road, Elyria, Ohio, 44035.

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.

ELYRIA TOWNSHIP
LORAIN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 13 – 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. Complete financial statements can be obtained from the Office of the City Auditor, City of Elyria, 131 Court Street, Elyria, Ohio 44035.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 4435

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elyria Township, Lorain County, (the Township) as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 25, 2012, wherein we noted the Township followed accounting principles generally accepted in the United States of America, and we noted the Township adopted Governmental Accounting Standards Board Statement No. 54. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 25, 2012

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



Dave Yost
Auditor of State

September 25, 2012

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011**

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

FINDING NUMBER 2011-01

Proper Reporting of Financial Statements – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the Township's accounting records:

- For the Road and Bridge Fund, the Township overstated property tax revenue and understated intergovernmental revenue by \$10,565.
- For the Fire Fund, the Township overstated property tax revenue and understated intergovernmental revenue by \$15,847.
- For the NOPEC Grant Fund, the Township understated intergovernmental revenue and overstated miscellaneous revenue by \$50,000.
- For General Fund, the Township understated principal and interest payment expenditures in the amount of \$20,201, overstated capital outlay expenditures by \$19,684 and overstated public works expenditures by \$517.
- For the Fire Levy Fund, the Township understated principal and interest payment expenditures in the amount of \$19,684 and overstated capital outlay expenditures by \$19,684.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Board of Trustees adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial data throughout the year.

ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-01	Financial reporting issues	No	Not corrected, 2011-01

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ELYRIA TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 16, 2012