



Mary Taylor, CPA
Auditor of State

ELYRIA TOWNSHIP
LORAIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis – December 31, 2006	9
Statement of Activities – Cash Basis – For the Year Ended December 31, 2006.....	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds December 31, 2006.....	12
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2006.....	14
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual – Budget Basis – General Fund – For the Year Ended December 31, 2006.....	16
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual – Budget Basis – Road and Bridge Fund – For the Year Ended December 31, 2006.....	17
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual – Budget Basis – Fire Levy Fund – For the Year Ended December 31, 2006.....	18
Statement of Fiduciary Net Assets – Cash Basis – December 31, 2006	19
Notes to the Basic Financial Statements	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	37
Schedule of Findings.....	39
Schedule of Prior Audit Findings.....	49

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Mary Taylor, CPA
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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, 2006 following Ohio Admin. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 10, 2009

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Elyria Township
Lorain County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The discussion and analysis of Elyria Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's cash basis of accounting. Readers are encouraged to also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- The Township's net assets at December 31, 2006 were \$643,275.
- The Township's total net assets increased by \$1,625 or less than one percent.
- The Township's general receipts are primarily property taxes and grants and entitlements. General receipts represent 74.77 percent of the total cash received for governmental activities during 2006. Program specific receipts in the form of charges for services, operating grants and contributions and capital grants and contributions represent the remaining 25.23 percent of total cash received.

Using this Annual Financial Report

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

Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

Elyria Township
Lorain County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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.

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 governmental funds – not the Township as a whole. The Township establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The Township's significant governmental funds are presented on the financial statements in separate columns. The Township's major governmental funds are as follows: general fund, road and bridge fund, fire levy fund, and 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, 2006
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 on a cash basis:

Table 1
Net Assets

	Governmental Activities		
	2006	2005	Change
Assets			
Cash and Cash Equivalents	\$643,275	\$641,650	\$1,625
Net Assets			
Restricted:			
Capital Projects	244,585	186,552	58,033
Fire Protection	228,042	270,952	(42,910)
Street Lighting	5,776	371	5,405
Road and Bridge	220,808	165,721	55,087
Recycling	58,574	63,925	(5,351)
Unrestricted (Deficit)	(114,510)	(45,871)	(68,639)
Total Net Assets	<u>\$643,275</u>	<u>\$641,650</u>	<u>\$1,625</u>

Total net assets were \$643,275 at December 31, 2006. Over time, net assets can serve as a useful indicator of a government's financial position.

Table 2 reflects the changes in net assets for fiscal year 2006 and corresponds to the Statement of Activities. Since the Township did not prepare financial statements in this format for 2005, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Elyria Township
Lorain County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities
	2006
Receipts:	
Program Receipts	
Charges for Services and Assessments	\$59,591
Operating Grants and Contributions	189,539
<i>Total Program Receipts</i>	249,130
General Receipts	
Property Taxes	410,076
Income Taxes Levied for the JEDD	60,990
Grant and Entitlements, Not Restricted to Specific Programs	126,716
Bonds Issued	50,000
Sale of Capital Assets	15,625
Interest	10,977
Miscellaneous	63,958
<i>Total General Receipts</i>	738,342
<i>Total Receipts</i>	987,472
Disbursements:	
General Government	452,417
Public Safety	84,233
Public Works	251,051
Health	9,610
Capital Outlay	112,300
Debt Service:	
Principal Retirement	71,500
Interest and Fiscal Charges	4,736
<i>Total Disbursements</i>	985,847
<i>Change in Net Assets</i>	1,625
<i>Net Assets, Beginning of Year</i>	641,650
<i>Net Assets, End of Year</i>	\$643,275

Program receipts represent only 25.23 percent of total receipts and are primarily comprised of operating grants and contributions receipts.

General receipts represent 74.77 percent of the Township's total receipts, and of this amount, over 55.54 percent are local taxes. Municipal income taxes from the JEDD and Grants and Entitlements make up another 25.42 percent.

Elyria Township
Lorain County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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 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, which account for 45.89 percent of all governmental disbursements. Public safety and public works disbursements make up 8.54 and 25.47 percent, respectively while capital outlay consists of 11.39 percent. The next columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from general receipts which are presented at the bottom of the Statements. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
	2006	2006
General Government	\$452,417	(\$414,583)
Public Safety	84,233	(43,647)
Public Works	251,051	(81,447)
Health	9,610	(8,504)
Capital Outlay	112,300	(112,300)
Debt Service:		
Principal Retirement	71,500	(71,500)
Interest and Fiscal Charges	4,736	(4,736)
Total Expenses	\$985,847	(\$736,717)

The dependence upon general receipts is apparent as over 74.73 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$921,847 and disbursements of \$985,847. While the overall change in fund balance was \$1,625 almost all funds had significant changes.

Elyria Township
Lorain County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

General Fund Budgeting Highlights

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

For the general fund, original and final budgeted revenues, not including other financing sources, were \$414,071 and actual revenue collections were \$359,160. The majority of the decrease in actual revenue under the final budgeted amount is due to property taxes. For the general fund, original and final appropriations, not including other financing uses, were \$570,765 and actual expenditures were \$435,406. Actual expenditures were \$135,359 under the final appropriations.

Debt Administration

At December 31, 2006, the Township had outstanding debt in the amount of \$100,549 which consisted of \$50,000 in general obligation bonds, \$17,149 in an OPWC loan and \$33,400 in an ambulance bond.

See Note 10 in the financial statements for more information of the Township's outstanding debt.

Current Financial Related Activities

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

Contacting the Township's Financial Management

This financial report is designed to provide a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Elyria Township Fiscal Officer, 41416 Griswold Road, Elyria Township, Ohio 44138-1194.

Elyria Township
Lorain County, Ohio
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$643,275</u>
Net Assets	
Restricted for:	
Capital Projects	\$244,585
Fire Protection	228,042
Street Lighting	5,776
Road and Bridge	220,808
Recycling	58,574
Unrestricted (Deficit)	<u>(114,510)</u>
<i>Total Net Assets</i>	<u>\$643,275</u>

See accompanying notes to the basic financial statements

Elyria Township
Lorain County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Assessments	Operating Grants and Contributions	Total
Governmental Activities				
General Government	\$452,417	\$37,834	\$0	(\$414,583)
Public Safety	84,233	9,687	30,899	(43,647)
Public Works	251,051	10,964	158,640	(81,447)
Health	9,610	1,106	0	(8,504)
Capital Outlay	112,300	0	0	(112,300)
Debt Service:				
Principal Retirement	71,500	0	0	(71,500)
Interest and Fiscal Charges	4,736	0	0	(4,736)
Total	\$985,847	\$59,591	\$189,539	(736,717)
General Receipts				
Property Taxes Levied for:				
General Purposes				109,793
Road and Bridge				122,957
Fire District				177,326
Income Taxes Levied for JEDD				60,990
Grants and Entitlements not Restricted to Specific Programs				126,716
Bonds Issued				50,000
Sale of Capital Assets				15,625
Interest				10,977
Miscellaneous				63,958
<i>Total General Receipts</i>				<u>738,342</u>
Change in Net Assets				1,625
<i>Net Assets, Beginning of Year</i>				<u>641,650</u>
<i>Net Assets, End of Year</i>				<u><u>\$643,275</u></u>

See accompanying notes to the basic financial statements

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Elyria Township
Lorain County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Road and Bridge	Fire Levy
Assets			
Equity in Pooled Cash and Cash Equivalents	(\$72,398)	\$133,996	\$228,042
Fund Balances			
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	(72,398)	0	0
Special Revenue Funds	0	133,996	228,042
Capital Projects Funds	0	0	0
<i>Total Fund Balances (Deficit)</i>	<i>(\$72,398)</i>	<i>\$133,996</i>	<i>\$228,042</i>

See accompanying notes to the basic financial statements

JEDD Miscellaneous Capital	Other Governmental Funds	Total Governmental Funds
<u>\$244,585</u>	<u>\$109,050</u>	<u>\$643,275</u>
0	0	(72,398)
0	110,958	472,996
244,585	(1,908)	242,677
<u>\$244,585</u>	<u>\$109,050</u>	<u>\$643,275</u>

Elyria Township
Lorain County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Road and Bridge	Fire Levy
Receipts			
Property Taxes	\$109,793	\$122,957	\$177,326
Income Taxes Levied for the JEDD	0	0	0
Charges for Services	12,086	3,936	0
Licenses, Permits and Fees	14,351	0	0
Intergovernmental	126,716	21,139	30,899
Special Assessments	0	0	0
Rentals	23,694	0	0
Interest	9,473	0	0
Other	63,047	866	0
<i>Total Receipts</i>	<u>359,160</u>	<u>148,898</u>	<u>208,225</u>
Disbursements			
Current:			
General Government	326,595	0	119,608
Public Safety	84,137	0	96
Public Works	13,064	95,321	0
Health	9,610	0	0
Capital Outlay	2,000	0	110,000
Debt Service:			
Principal Retirement	0	0	16,600
Interest and Fiscal Charges	0	0	1,986
<i>Total Disbursements</i>	<u>435,406</u>	<u>95,321</u>	<u>248,290</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(76,246)</u>	<u>53,577</u>	<u>(40,065)</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	15,625	0	0
Bonds Issued	0	0	50,000
Transfers In	5,919	3,760	0
Transfers Out	(6,335)	0	(52,845)
<i>Total Other Financing Sources (Uses)</i>	<u>15,209</u>	<u>3,760</u>	<u>(2,845)</u>
<i>Net Change in Fund Balances</i>	(61,037)	57,337	(42,910)
<i>Fund Balances (Deficit), Beginning of Year</i>	<u>(11,361)</u>	<u>76,659</u>	<u>270,952</u>
<i>Fund Balances (Deficit), End of Year</i>	<u><u>(\$72,398)</u></u>	<u><u>\$133,996</u></u>	<u><u>\$228,042</u></u>

See accompanying notes to the basic financial statements

JEDD Miscellaneous Capital	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$410,076
60,990	0	60,990
0	0	16,022
0	0	14,351
0	137,501	316,255
0	5,524	5,524
0	0	23,694
0	1,504	10,977
0	45	63,958
<u>60,990</u>	<u>144,574</u>	<u>921,847</u>
0	6,214	452,417
0	0	84,233
0	142,666	251,051
0	0	9,610
300	0	112,300
0	54,900	71,500
0	2,750	4,736
<u>300</u>	<u>206,530</u>	<u>985,847</u>
<u>60,690</u>	<u>(61,956)</u>	<u>(64,000)</u>
0	0	15,625
0	0	50,000
335	61,059	71,073
0	(11,893)	(71,073)
<u>335</u>	<u>49,166</u>	<u>65,625</u>
61,025	(12,790)	1,625
<u>183,560</u>	<u>121,840</u>	<u>641,650</u>
<u>\$244,585</u>	<u>\$109,050</u>	<u>\$643,275</u>

Elyria Township
Lorain County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$130,292	\$130,292	\$109,793	(\$20,499)
Charges for Services	13,754	13,754	12,086	(1,668)
Licenses, Permits and Fees	16,331	16,331	14,351	(1,980)
Intergovernmental	144,202	144,202	126,716	(17,486)
Rentals	26,964	26,964	23,694	(3,270)
Interest	10,780	10,780	9,473	(1,307)
Other	71,747	71,747	63,047	(8,700)
<i>Total receipts</i>	<u>414,071</u>	<u>414,071</u>	<u>359,160</u>	<u>(54,911)</u>
Disbursements				
Current:				
General Government	428,127	428,127	326,595	101,532
Public Safety	110,294	110,294	84,137	26,157
Public Works	17,125	17,125	13,064	4,061
Health	12,598	12,598	9,610	2,988
Capital Outlay	2,622	2,622	2,000	622
<i>Total Disbursements</i>	<u>570,765</u>	<u>570,765</u>	<u>435,406</u>	<u>135,359</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(156,694)</u>	<u>(156,694)</u>	<u>(76,246)</u>	<u>80,448</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	15,625	15,625	15,625	0
Transfers In	5,919	5,919	5,919	0
Transfers Out	(6,335)	(6,335)	(6,335)	0
<i>Total Other Financing Sources (Uses)</i>	<u>15,209</u>	<u>15,209</u>	<u>15,209</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(141,485)</u>	<u>(141,485)</u>	<u>(61,037)</u>	<u>80,448</u>
<i>Fund Balance (Deficit), Beginning of Year</i>	<u>(11,361)</u>	<u>(11,361)</u>	<u>(11,361)</u>	<u>0</u>
<i>Fund Balance (Deficit), End of Year</i>	<u><u>(\$152,846)</u></u>	<u><u>(\$152,846)</u></u>	<u><u>(\$72,398)</u></u>	<u><u>\$80,448</u></u>

See accompanying notes to the basic financial statements

Elyria Township
Lorain County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$146,395	\$146,395	\$122,957	(\$23,438)
Charges for Services	0	0	3,936	3,936
Intergovernmental	0	0	21,139	21,139
Other	0	0	866	866
<i>Total Receipts</i>	146,395	146,395	148,898	2,503
Disbursements				
Current:				
Public Works	165,000	165,000	95,321	69,679
<i>Excess of Receipts Over (Under) Disbursements</i>	(18,605)	(18,605)	53,577	72,182
Other Financing Sources				
Transfers In	0	0	3,760	3,760
<i>Net Change in Fund Balance</i>	(18,605)	(18,605)	57,337	75,942
<i>Fund Balance, Beginning of Year</i>	76,659	76,659	76,659	0
<i>Fund Balance, End of Year</i>	<u>\$58,054</u>	<u>\$58,054</u>	<u>\$133,996</u>	<u>\$75,942</u>

See accompanying notes to the basic financial statements

Elyria Township
Lorain County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Levy Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$211,609	\$211,609	\$177,326	(\$34,283)
Intergovernmental	12,611	12,611	30,899	18,288
<i>Total Receipts</i>	<u>224,220</u>	<u>224,220</u>	<u>208,225</u>	<u>(15,995)</u>
Disbursements				
Current:				
General Government	154,869	154,869	119,608	35,261
Public Safety	0	0	96	(96)
Capital Outlay	110,000	110,000	110,000	0
Debt Service:				
Principal Retirement	16,600	16,600	16,600	0
Interest and Fiscal Charges	1,986	1,986	1,986	0
<i>Total Disbursements</i>	<u>283,455</u>	<u>283,455</u>	<u>248,290</u>	<u>35,165</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(59,235)</u>	<u>(59,235)</u>	<u>(40,065)</u>	<u>19,170</u>
Other Financing Sources (Uses)				
Bonds Issued	50,000	50,000	50,000	0
Transfers Out	(52,845)	(52,845)	(52,845)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,845)</u>	<u>(2,845)</u>	<u>(2,845)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(62,080)	(62,080)	(42,910)	19,170
<i>Fund Balance, Beginning of Year</i>	<u>270,952</u>	<u>270,952</u>	<u>270,952</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$208,872</u></u>	<u><u>\$208,872</u></u>	<u><u>\$228,042</u></u>	<u><u>\$19,170</u></u>

See accompanying notes to the basic financial statements

Elyria Township
Lorain County, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$152</u>
Net Assets	
Unrestricted	<u>\$152</u>

See accompanying notes to the basic financial statements

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Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

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.

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 12, 13 and 14 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Lorain County General Health District
Northeast Ohio Areawide Coordinating Agency

Joint Venture:

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

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, 2006

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

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 commercial 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.

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.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

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 certificated of estimated resources in effect at the time final appropriations were passed by the Township.

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

E. Cash and Investments

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

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

During 2006, 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, 2006.

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 2006 were \$9,473 all of which was assigned from other Township funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

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

J. Long-Term Obligations

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

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation as adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$757,785, 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 Activity

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

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

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 3 – Change in Basis of Accounting

For 2005, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, 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 5 – Deposits and Investments

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

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

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

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

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

1. 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;

**Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006**

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).

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$439,717 of the Township's bank balance of \$539,717 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized with securities specifically pledged by the financial institution to the Township.

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

Investments

Investments are reported at fair value. As of December 31, 2006, the Township had the following investment:

	Fair Value	Maturity
STAR Ohio	\$145,243	Less than One Year

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

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

Credit Risk. STAR Ohio carries a rating of AAA 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 would further limit its investment choices.

Concentration of Credit Risk. The Township places no limit on the amount it may invest in any one issuer. The Township's allocation as of December 31, 2006 is 100 percent to STAR Ohio.

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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. Tangible personal property assessments are being phased out—the assessment percentage for all property including inventory for 2007 was 12.5 percent. This was reduced to 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$6.78 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

Real Property	\$61,208,250
Tangible Personal Property	4,573,863
Public Utility	5,183,500
Total Assessed Value	<u><u>\$70,965,613</u></u>

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, 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 14.

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

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

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

All Township full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The Township's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$14,323, \$17,006, and \$15,953 respectively. 100 percent has been contributed for 2006. The full amount has been contributed for 2005 and 2004. No contributions were made to the member-directed plan for 2006.

B. Social Security

Effective August 3, 1992, any new 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 9 – Post-Employment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund post-employment benefits were \$7,006. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2006, were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 10 – Debt

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

Debt Issue	Interest Rate	Original Issue	Year Of Maturity
Governmental Activities:			
<i>General Obligation Bonds:</i>			
General Obligation Bond - 2003	2.75 %	\$250,000	2007
Ambulance Bond - 2006	4.75	50,000	2008
<i>OPWC Loans:</i>			
Murry Ridge Road - 2000	0.00	48,998	2010

The Township’s long-term debt activity for the year ended December 31, 2006, was as follows:

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$100,000	\$0	(\$50,000)	\$50,000	\$50,000
Ambulance Bond, 2006	0	50,000	(16,600)	33,400	16,700
OPWC Loan	22,049	0	(4,900)	17,149	4,900
Total	\$122,049	\$50,000	(\$71,500)	\$100,549	\$71,600

The general obligation bonds and ambulance bond 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 bond retirement fund and fire levy fund.

The OWPC 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:

	General Obligation Bond		Ambulance Bond		OWPC Loan
	Principal	Interest	Principal	Interest	Principal
2007	\$50,000	\$1,375	\$16,700	\$1,587	\$4,900
2008	0	0	16,700	793	4,900
2009	0	0	0	0	4,900
2010	0	0	0	0	2,449
Total	\$50,000	\$1,375	\$33,400	\$2,380	\$17,149

**Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006**

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, 2006, were an overall debt margin of \$7,350,840 and an unvoted debt margin of \$3,802,560.

Note 11 – 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 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. The Township contributed \$9,610 during 2006 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.

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, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. During 2006, the Township contributed \$73 to the agency.

Note 13 – Joint Venture

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

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

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 2006, the JEDD had total distributions of \$304,950 of which \$60,990 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 14 – Public Entity Risk Pool

During 2006, the Township belonged 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006.)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

\$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,682,589.

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

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

Members may withdraw on each anniversary date they joined OTARMA. They must 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and members' equity at December 31, 2006.

	2006
Assets	\$42,042,275
Liabilities	(12,120,661)
Members' Equity	\$29,921,614

Note 15 – Compliance

Contrary to Ohio Revised Code Section 5705.39, the general fund had original appropriations of \$577,100, \$152,846 in excess of certified available resources of \$424,254 and the motor vehicle license tax fund had original appropriations of \$34,400, \$43,160 in excess of certified available resources of (\$8,760).

Contrary to Ohio Revised Code Section 5705.39, the general fund had final appropriations of \$577,100, \$152,846 in excess of certified available resources of \$424,254 and the motor vehicle license tax fund had final appropriations of \$34,400, \$43,160 in excess of certified available resources of (\$8,760).

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 Township had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10:

<i>General Fund</i>	\$72,398
<i>Special Revenue Fund:</i>	
Motor Vehicle License Tax	40,204
<i>Capital Projects Fund:</i>	
Public Works Commission- 34 -	1,908

Elyria Township
Lorain County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2006

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

Note 16 – 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.

Transfer To	Transfer From					Total
	General Fund	Fire Levy	Non-Major Funds		Total	
			License Tax	Permissive Motor Vehicle License Tax		
Major Funds:						
General Fund	\$0	\$0	\$0	\$5,919		\$5,919
Road and Bridge	0	0	3,760	0		3,760
JEDD Miscellaneous Capital	335	0	0	0		335
Nonmajor Funds:						
Street Lighting	6,000	0	0	0		6,000
Gasoline Tax	0	0	2,214	0		2,214
Bond Retirement	0	52,845	0	0		52,845
Total	\$6,335	\$52,845	\$5,974	\$5,919		\$71,073

The general fund transfers to the JEDD miscellaneous capital fund and street lighting fund were for general operations. The fire levy fund transfers to the bond retirement fund were to pay debt obligations. The motor vehicle license tax transfers to the road and bridge fund and the gasoline tax fund were for expenses and the permissive motor vehicle license tax fund transfer to the general fund was to cover expenses.

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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, 2006, 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 2006-010 through 2006-015.

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 2006-001 through 2006-009.

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 10, 2009

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ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2006-001

Finding For Adjustment

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 \$998 to the Gasoline Tax Fund in fiscal year 2006. As a result, revenues were overstated in the General Fund and understated in the Gasoline Tax Fund.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for adjustment for public money illegally receipted is hereby issued against the Township's General Fund in the amount of \$998, in favor of the Township's Gasoline Tax Fund.

Official's Response:

The Township did not respond to this finding.

FINDING NUMBER 2006-002

Noncompliance Citation

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, 2006, the Township experienced a negative cash fund balance in the General Fund of \$72,398, in the Motor Vehicle License Tax Fund of \$40,204, and in the Public Works Commission Fund of \$1,908.

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.

Official's Response:

The Township did not respond to this finding.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

FINDING NUMBER 2006-003

Noncompliance Citation

Appropriations Exceeding Estimated Resources

Ohio Rev. 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. (See Finding Number 2006-005.)

The following funds had appropriations exceeding estimated resources at the legal level of budgetary control at the beginning of the year and at December 31, 2006 in the following amounts:

Fund Number/Name	Appropriations	Estimated Resources Plus Beginning Unencumbered Cash	Variance
1000 General	\$577,100	\$424,254	(\$152,846)
2011 Motor Vehicle License Tax	34,400	(8,760)	(43,160)

This weakness allowed expenditures in the above funds to exceed the total of the available fund balance and the current year revenues, resulting 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.

Official's Response:

The Township did not respond to this finding.

FINDING NUMBER 2006-004

Noncompliance Citation

Expenditures in Excess of Appropriation Authority

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

On December 31, 2006, the following fund had expenditures plus encumbrances exceeding authorized appropriations, at the fund level:

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Variance
2221 Street Lighting	\$5,900	\$6,119	(\$219)

Monitoring appropriations is vital for maintaining sound budgetary practices. By not monitoring the appropriations, expenditures plus encumbrances could result in funds exceeding the total available fund balance.

ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)

FINDING NUMBER 2006-004

Noncompliance Citation

Expenditures in Excess of Appropriation Authority (Continued)

We recommend the Township verify that all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditures plus encumbrances in all funds which are legally to be budgeted to maintain compliance with the above requirement.

Official's Response:

The Township did not respond to this finding.

FINDING NUMBER 2006-005

Noncompliance Citation

Legal Level of Budgetary Control

Ohio Admin. 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 Rev. Code, except school districts and public libraries, the minimum legal level of control is described in Section 5705.38 of the Ohio Rev. Code.

Ohio Rev. Code 5705.38(C) requires the following minimum level of budgetary control for "subdivisions" other than schools: "Appropriation measures shall be classified 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).

Official's Response:

The Township did not respond to this finding.

ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)

FINDING NUMBER 2006-006

Noncompliance Citation

Blanket Fiscal Officer Certificates

Ohio Rev. 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 2006, 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.

Official's Response:

The Township did not respond to this finding.

FINDING NUMBER 2006-007

Noncompliance Citation

Proper Encumbrance of Funds

Ohio Rev. 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.

1. **"Then and Now" Certificates** - 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 the approval of expenditures by the Township.

ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)

FINDING NUMBER 2006-007

Noncompliance Citation

Proper Encumbrance of Funds (Continued)

2. **Blanket Certificates** – 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.
3. **Super Blanket Certificates** – 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 2 out of 20 expenditures (10%) 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 Fiscal Officer 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.

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 also 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.

Official’s Response:

The Township did not respond to this finding.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

FINDING NUMBER 2006-008

Noncompliance Citation

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).

The Township could not provide either the training certificate evidencing the Fiscal Officer's attendance at the Treasurer of State training during fiscal year 2006, or a notice of exemption indicating the Fiscal Officer was not required to attend the training.

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.

Official's Response:

The Township did not respond to this finding.

FINDING NUMBER 2006-009

Noncompliance Citation

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 two expenditures made during fiscal year 2006.

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.

ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)

FINDING NUMBER 2006-009

Noncompliance Citation

Retention of Public Records (Continued)

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

Official's Response:

The Township did not respond to this finding.

FINDING NUMBER 2006-010

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.

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.

Official's Response:

The Township did not respond to this finding.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

FINDING NUMBER 2006-011

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, which 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.

Official's Response:

The Township did not respond to this finding.

FINDING NUMBER 2006-012

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.

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

Official's Response:

The Township did not respond to this finding.

FINDING NUMBER 2006-013

Monitoring Financial Activity

The Township's financial statements for 2006 required adjustment and reclassification. Also noted were errors in the Township's treasury reconciliations. A detailed list of the adjustments was provided to the Fiscal Officer and Board of Trustees for posting and future reference.

The small size of the Township's staff does not allow for an adequate segregation of duties. As such, the Fiscal Officer must perform all accounting functions. Therefore, it is important for the Board of Trustees to monitor financial activity.

We recommend the Fiscal Officer provide reports of the Township's financial activities to the Board of Trustees to allow the Board to adequately monitor financial activity. Necessary information would include, at minimum, the following:

ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)

FINDING NUMBER 2006-013

Monitoring Financial Activity (Continued)

- Summary of monthly and year-to-date revenues and expenditures;
- Budget versus actual comparisons of revenues and expenditures at the legal level of budgetary control;
- Summary of large or unusual transactions;
- Monthly treasury reconciliation;
- Any necessary budget amendments, and;
- A summary of the Township's investment activity.

These reports should be approved by the Board of Trustees on a monthly basis.

The Trustees should also consider adopting an approval process for the monthly reconciliation of cash to fund balances. The Fiscal Officer performs the monthly reconciliations; however, to ensure fiscal monitoring, the Trustees should obtain assurances that the proper month-end balancing procedures have been performed. This approval can be recorded in the record of proceedings of the Board of Trustees or evidenced by the initials of the designated trustee(s).

Official's Response:

The Township did not respond to this finding.

FINDING NUMBER 2006-014

Monitoring of Expenditures

During our review of the Township's expenditures, we noted several instances indicating a weakness over the payment of expenditures:

- One invoice in which part of the amount paid (listed as past due) was already paid on a previous bill and it was unclear as to whether the Township received full credit for this overpayment. Of the \$351.91 that was overpaid, we noted an unpaid balance of only (\$292.22) on the subsequent bill.
- One instance in which a late fee was paid on an overdue invoice. Late fees are not considered to be a proper public purpose.
- One instance in which a discount was offered on an invoice but was not taken advantage of by the Township.

We recommend the Township more closely inspect invoices prior to payment to help ensure Township monies are spent efficiently and appropriately. The Fiscal Officer should follow-up with vendors when discrepancies are noted on invoices or when payments are not properly credited by the vendor to the Township's account. The Township should also make it a priority to pay its obligations on time in order to avoid late fees, which are not considered to be a proper public purpose. The Township should also consider taking advantage of any discounts that may be offered by vendors for early payment. Such discounts may be significant on larger purchases, and could result in a cost savings to the Township.

Official's Response:

The Township did not respond to this finding.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

FINDING NUMBER 2006-015

Audit Committee

The Township should establish an Audit Committee to serve as a liaison between management and its auditors. The primary functions of such a Committee are to monitor and review the Township's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

The Audit Committee should be actively involved in:

- Meeting with the Township's independent auditors before and after each audit;
- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance audit; and
- Ensuring that the internal control and legal compliance issues identified in the audit are promptly and effectively remediated.

In addition, the Audit Committee should meet regularly (perhaps quarterly) to monitor the Township's legal compliance, financial condition, and controls over the safeguarding of assets. The Audit Committee can include members of the Board of Trustees. However, it can also include representation that is independent from elected officials or management. The audit committee could include professionals knowledgeable in the Township's financial operations, such as attorneys or bankers.

Official's Response:

The Township did not respond to this finding.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Appropriations Exceeding Estimated Resources – ORC Section 5705.39	No	Finding not corrected; repeated as 2006-003
2005-002	Negative Fund Balances – ORC Section 5705.10(H)	No	Finding not corrected; repeated as 2006-002
2005-003	Adoption of Tax Budget – ORC Section 5705.28	Yes	Fully Corrected.



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
FEBRUARY 9, 2010