



OHIO AUDITOR OF STATE
KEITH FABER



ELYRIA TOWNSHIP
LORAIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2017	3
Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) Agency Funds For the Year Ended December 31, 2017	4
Notes to the Financial Statements For the Year Ended December 31, 2017	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2016	17
Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) Agency Funds For the Year Ended December 31, 2016	18
Notes to the Financial Statements For the Year Ended December 31, 2016	19
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31
Schedule of Findings.....	33
Prepared by Management:	
Schedule of Prior Audit Findings.....	37

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Elyria Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Elyria Township, Lorain County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2019, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

August 19, 2019

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$103,735	\$369,775		\$473,510
Charges for Services		67,800		67,800
Licenses, Permits and Fees	29,960			29,960
Intergovernmental	198,435	170,117	\$95,550	464,102
Special Assessments		10,389		10,389
Earnings on Investments	1,196	106	17	1,319
Miscellaneous	7,814	16,555		24,369
<i>Total Cash Receipts</i>	<u>341,140</u>	<u>634,742</u>	<u>95,567</u>	<u>1,071,449</u>
Cash Disbursements				
Current:				
General Government	269,383	308,591		577,974
Public Safety	409,330	28,302		437,632
Public Works	6,083	206,457		212,540
Health	17,923			17,923
Conservation-Recreation	9,605			9,605
Capital Outlay		6,500	130,995	137,495
<i>Total Cash Disbursements</i>	<u>712,324</u>	<u>549,850</u>	<u>130,995</u>	<u>1,393,169</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(371,184)</u>	<u>84,892</u>	<u>(35,428)</u>	<u>(321,720)</u>
<i>Fund Cash Balances, January 1</i>	<u>712,803</u>	<u>308,065</u>	<u>200,911</u>	<u>1,221,779</u>
Fund Cash Balances, December 31				
Restricted		392,957		392,957
Committed			165,483	165,483
Assigned	341,619			341,619
<i>Fund Cash Balances, December 31</i>	<u>\$341,619</u>	<u>\$392,957</u>	<u>\$165,483</u>	<u>\$900,059</u>

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

ELYRIA TOWNSHIP
LORAIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Agency</u>
Operating Cash Receipts	
Licenses, Permits and Fees	\$47
Earnings on Investments	5
	<u>52</u>
<i>Total Operating Cash Receipts</i>	<u>52</u>
Operating Cash Disbursements	
Other	37
	<u>37</u>
<i>Net Change in Fund Cash Balances</i>	15
<i>Fund Cash Balances, January 1</i>	<u>9,301</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$9,316</u></u>

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

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Elyria Township, Lorain County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection, and emergency medical services. Police protection is provided by the Lorain County Sheriff.

The Township participates in two jointly governed organizations, one joint venture, and one public entity risk pool. Notes 8, 9 and 10 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 (NOACA)

Joint Venture:

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

Public Entity Risk Pool

Ohio Township Association Risk Management Authority (OTARMA)

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

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash-basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (cash-basis) for its agency funds which are organized on a fund type basis.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire Levy Fund – This fund receives property tax levy and charges for services money to pay for expenditures relating to fire protection.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

JEDD Misc. Capital Projects – This fund accounts for capital projects from the proceeds of Joint Economic Development District (JEDD) receipts received from the City of Elyria.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

4. Agency Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency funds account for the State's portion of building and permit fees and for a portion of insurance monies from structures sustaining fire damage to ensure resident or business performs the necessary structural repairs.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The township values certificates of deposit at the cost basis. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 4.

E. Fund Balance

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

1. Nonspendable

The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. Restricted

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

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Summary of Significant Accounting Policies (continued)

E. Fund Balance (continued)

3. Committed

Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

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

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Summary of Significant Accounting Policies (continued)

F. Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. Basis of Accounting

These Financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). The basis is similar to the cash receipts and disbursement accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

3. Equity in Pooled Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand deposits	\$ 691,065
Certificates of deposit	<u>152,835</u>
Total deposits	<u>843,900</u>
STAR Ohio	<u>65,475</u>
Total deposits and investments	<u><u>\$ 909,375</u></u>

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

3. Equity in Pooled Deposits and Investments (continued)

Deposits: Deposits are insured by the Federal Depository Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

4. Budgetary Activity

Budgetary Activity for the year ended December 31, 2017 is as follows:

2017 Budgeted Vs Actual Receipts			
	Budgeted	Actual	Variance
Fund Type			
General	\$ 394,555	\$ 341,140	\$ (53,415)
Special Revenues	539,888	634,742	94,854
Capital Projects	-	95,567	95,567
Total	\$ 934,443	\$ 1,071,449	\$ 137,006

2017 Budgeted Vs. Actual Budgetary Basis Expenditures			
	Budgeted	Actual	Variance
Fund Type			
General	\$ 1,036,348	\$ 712,616	\$323,732
Special Revenues	660,670	552,154	108,516
Capital Projects	195,000	131,065	63,935
Total	\$ 1,892,018	\$ 1,395,835	\$496,183

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20. Although these are the state laws, annually, extensions are made available.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

5. Property Tax (continued)

Public utilities are also taxed on personal and real property located within the Township.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. Retirement System

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

B. Social Security

The Township's part-time fire department employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2 % of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

7. Post-Employment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 % of the employer contribution to fund these benefits.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 (the latest information available).

Assets	\$ 40,010,732
Liabilities	<u>8,675,465</u>
Net Position	<u>\$ 31,335,267</u>

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. Risk Management (continued)

At December 31, 2017, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$10,000.

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

Contributions to OTARMA

\$24,052

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

9. 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 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.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

9. Joint Venture (continued)

The Board of Directors consists of five members, the Township appoints two; one representing the Township and one representing the business owners in the JEDD, the City appoints two; one representing the City and one representing persons working within the JEDD, the fifth member shall serve as chairman and shall be elected by the other four members.

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

10. Jointly Governed Organizations

A. Lorain County General Health District

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

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

10. Jointly Governed Organizations (continued)

B. Northeast Ohio Areawide Coordinating Agency

The Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain, and Medina counties and is responsible for transportation and environmental planning in the given county region. NOACA is controlled by a 38-member board. The board exercises total control over the operation of the corporation including budgeting, appropriation, contracting and designing.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$102,633	\$366,520		\$469,153
Charges for Services		69,763		69,763
Licenses, Permits and Fees	30,358			30,358
Intergovernmental	105,521	148,319	\$122,081	375,921
Special Assessments		10,284		10,284
Earnings on Investments	522	50	138	710
Miscellaneous	530,140	881		531,021
<i>Total Cash Receipts</i>	<u>769,174</u>	<u>595,817</u>	<u>122,219</u>	<u>1,487,210</u>
Cash Disbursements				
Current:				
General Government	307,638	244,274		551,912
Public Safety	29,658	22,061		51,719
Public Works	7,537	216,683		224,220
Health	8,783			8,783
Capital Outlay			114,861	114,861
<i>Total Cash Disbursements</i>	<u>353,616</u>	<u>483,018</u>	<u>114,861</u>	<u>951,495</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>415,558</u>	<u>112,799</u>	<u>7,358</u>	<u>535,715</u>
Other Financing Receipts				
Loan Proceeds			3,721	3,721
<i>Net Change in Fund Cash Balances</i>	415,558	112,799	11,079	539,436
<i>Fund Cash Balances, January 1</i>	<u>297,245</u>	<u>195,266</u>	<u>189,832</u>	<u>682,343</u>
Fund Cash Balances, December 31				
Restricted		308,065		308,065
Committed			200,911	200,911
Assigned	641,793			641,793
Unassigned	71,010			71,010
<i>Fund Cash Balances, December 31</i>	<u>\$712,803</u>	<u>\$308,065</u>	<u>\$200,911</u>	<u>\$1,221,779</u>

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

ELYRIA TOWNSHIP
LORAIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Agency</u>
Operating Cash Receipts	
Licenses, Permits and Fees	\$51
Earnings on Investments	<u>25</u>
<i>Total Operating Cash Receipts</i>	<u>76</u>
Operating Cash Disbursements	
Other	<u>31,800</u>
<i>Operating Income (Loss)</i>	(31,724)
Non-Operating Cash Receipts	
Miscellaneous	<u>31,800</u>
<i>Net Change in Fund Cash Balances</i>	76
<i>Fund Cash Balances, January 1</i>	<u>9,225</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$9,301</u></u>

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

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Elyria Township, Lorain County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection, and emergency medical services. Police protection is provided by the Lorain County Sheriff.

The Township participates in two jointly governed organizations, one joint venture, and one public entity risk pool. Notes 8, 9 and 10 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 (NOACA)

Joint Venture:

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

Public Entity Risk Pool

Ohio Township Association Risk Management Authority (OTARMA)

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

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash-basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (cash-basis) for its agency funds which are organized on a fund type basis.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

2. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire Levy Fund – This fund receives property tax levy and charges for services money to pay for expenditures relating to fire protection.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

JEDD Misc. Capital Projects – This fund accounts for capital projects from the proceeds of Joint Economic Development District (JEDD) receipts received from the City of Elyria.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

2. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

4. Agency Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency funds account for the State's portion of building and permit fees and for a portion of insurance monies from structures sustaining fire damage to ensure resident or business performs the necessary structural repairs.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The township values certificates of deposit at the cost basis. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

2. Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 4.

E. Fund Balance

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

1. Nonspendable

The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. Restricted

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

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

2. Summary of Significant Accounting Policies (continued)

E. Fund Balance (continued)

3. Committed

Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

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

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

2. Summary of Significant Accounting Policies (continued)

F. Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. Basis of Accounting

These Financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). The basis is similar to the cash receipts and disbursement accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

3. Equity in Pooled Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand deposits	\$ 1,014,005
Certificates of deposit	<u>152,295</u>
Total deposits	<u>1,166,300</u>
STAR Ohio	<u>64,780</u>
Total deposits and investments	<u>\$1,321,080</u>

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

3. Equity in Pooled Deposits and Investments (continued)

Deposits: Deposits are insured by the Federal Depository Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

4. Budgetary Activity

Budgetary Activity for the year ended December 31, 2016 is as follows:

<u>Fund Type</u>	<u>2016 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 792,290	\$ 769,174	\$(23,116)
Special Revenue	529,288	595,817	66,529
Capital Projects	<u>50</u>	<u>125,940</u>	<u>125,890</u>
Total	<u>\$1,321,628</u>	<u>\$1,490,931</u>	<u>169,303</u>

<u>Fund Type</u>	<u>2016 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 895,981	\$ 353,616	\$542,365
Special Revenue	613,460	483,018	130,442
Capital Projects	<u>182,500</u>	<u>114,861</u>	<u>67,639</u>
Total	<u>\$1,691,941</u>	<u>\$ 951,911</u>	<u>\$740,446</u>

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

5. Property Tax (continued)

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. Retirement System

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

B. Social Security

The Township's part-time fire department employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

7. Post-Employment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

8. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

Assets	\$ 38,473,283
Liabilities	<u>8,244,140</u>
Net Position	<u>\$ 30,229,143</u>

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

8. Risk Management (continued)

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$10,000.

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

Contributions to OTARMA

\$24,061

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

9. 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 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.

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

9. Joint Venture (continued)

The Board of Directors consists of five members, the Township appoints two; one representing the Township and one representing the business owners in the JEDD, the City appoints two; one representing the City and one representing persons working within the JEDD, the fifth member shall serve as chairman and shall be elected by the other four members.

The Board adopted an annual budget for the JEDD and estimated the revenues and expenses of the operation of the JEDD. They also established the distribution of the income tax revenues.

The Board is authorized to take such necessary and appropriate actions, or establish such programs to facilitate economic development in the JEDD area. Continued existence of the JEDD is dependent on the Township's continued participation; however, the Township does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the Township. Complete financial statements can be obtained from the Office of the City Auditor, City of Elyria, 131 Court Street, Elyria, Ohio 44035.

10. Jointly Governed Organizations

A. Lorain County General Health District

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

**ELYRIA TOWNSHIP
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

10. Jointly Governed Organizations (continued)

B. Northeast Ohio Areawide Coordinating Agency

The Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain, and Medina counties and is responsible for transportation and environmental planning in the given county region. NOACA is controlled by a 38 member board. The board exercises total control over the operation of the corporation including budgeting, appropriation, contracting and designing.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Elyria Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated August 19, 2019 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2017-001 through 2017-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-004 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 19, 2019

ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Noncompliance Finding / Material Weakness – Ohio Public Works Commission Grant and Loan

Ohio Rev. Code § 5705.42 requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. Additionally, **Auditor of State Bulletin 2002-004** establishes the requirements for an entity receiving funding from the Ohio Public Works Commission (OPWC) Infrastructure Project. Entities are required to establish a capital projects fund to account for the funding. In the case where monies available from other funds (i.e. General Fund) will be used to meet the local matching requirements, the entity shall transfer these monies into the capital projects fund. The entity should record payments made on its behalf to vendors by OPWC as revenues and expenditures on its financial statements. Additionally, the entity shall appropriate money in the capital projects fund for local matching contributions and OPWC funding (including on-behalf-of payments) and obtain amended certificates of estimated resources to include the grant funding and local matching contributions anticipated to be recorded in the capital projects fund.

In 2016 and 2017, the Township executed a loan and several grant agreements with the Ohio Public Works Commission (OPWC). OPWC made payments on-behalf-of the Township directly to vendors working on these projects. The Township did not record any of the on-behalf-of payments in their accounting system or year-end financial statements. For 2017, the result was an understatement of capital outlay disbursements of \$89,805 in the Capital Projects Fund opinion unit, with a corresponding understatement of intergovernmental receipts. For 2016, the result was an understatement of capital outlay disbursements of \$62,022 in the Capital Projects Fund opinion unit, with corresponding understatements to intergovernmental receipts of \$58,301 and other financing sources- loan proceeds of \$3,721. The financial statements have been adjusted by management to correct these errors.

Additionally, the Township did not update the appropriations in their accounting system or obtain amended certificates of estimated resources for these projects in 2016 or 2017.

The Township should ensure procedures are implemented to record all on-behalf-of grant expenditures and corresponding receipts on the financial statements. The Township should also update appropriations in their accounting system and obtain amended certificates of estimated resources for OPWC projects.

A similar comment was made in the Township's prior financial statement audit.

Officials' Response: Elyria Township has acknowledged this finding and is working to correct it.

FINDING NUMBER 2017-002

Noncompliance Finding / Material Weakness – Accounting for EMS Charges for Services Receipts

Ohio Rev. Code § 505.84 indicates a board of township trustees may establish reasonable charges for the use of fire and rescue services, ambulance services, or emergency medical services. Additionally, charges collected under this section shall be kept in a separate fund used for the township's payment of costs associated with the operation of fire, rescue services, ambulance services, and emergency medical services. **Op. Att'y Gen. No. 2014-006 (conclusion, part 4)** indicates a township may hire a company to send out bills on behalf of the township for the use of fire and rescue, ambulance, or emergency medical services, provided they are charges the township may lawfully collect, and further provided that the charges are paid to the township and deposited in the fire and rescue services, ambulance services and emergency medical services fund, as required by **Ohio Rev. Code § 505.84**.

In 2017 and 2016, the Township recorded receipts for emergency management services (EMS) received from their third-party billing company in the General Fund, instead of the Fire Levy Fund, which is the fund used to account for the operations of the fire department including EMS transportation and treatment. The result was an overstatement of charges for services receipts and cash in the General Fund in 2017 and 2016 of \$67,801 and \$69,763, respectively, with corresponding understatements of charges for services receipts and cash in the Special Revenue Funds in the same amount. The financial statements were adjusted to correct this error.

The Township should record EMS charges receipts received from their third-party billing company in the Fire Levy Fund in order to be in compliance with **Ohio Rev. Code § 505.84**.

Officials' Response: Elyria Township has corrected this finding as advised.

FINDING NUMBER 2017-003

Material Weakness – Financial Statement Adjustments

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following financial statement adjustments were noted and adjusted by management:

- In 2017, a grant received from FEMA was classified as a miscellaneous receipt in the Fire Levy Fund. The result was an overstatement of miscellaneous receipts of \$24,535 in the Special Revenue Funds opinion unit and a corresponding understatement of intergovernmental receipts.
- In 2017, \$1,327 in disbursements were recorded in the Agency Fund opinion unit instead of the General Fund and in 2016, \$12,348 in disbursements and \$13,449 in cash fund balance were recorded in the Agency Fund opinion unit instead of the General Fund.

FINDING NUMBER 2017-003 (Continued)

Material Weakness – Financial Statement Adjustments (Continued)

- In 2016, the payment of and release of fire escrow funds were improperly recorded in the JEDD Capital Projects Fund instead of the Department of Insurance Fund. The result was an overstatement of capital outlay disbursements and intergovernmental receipts in the Capital Projects Funds opinion unit of \$31,800, with a corresponding understatement of other cash disbursements and miscellaneous receipts in the Agency Funds opinion unit in the same amount.
- In 2016, a cable franchise fee was erroneously classified as a miscellaneous receipt instead of a license, permit and fee receipt in the General Fund. The result was an understatement of licenses, permits, and fees of \$21,354 and a corresponding overstatement of miscellaneous receipts by the same amount.
- In 2016, a community incentive grant received from Lorain County was recorded as miscellaneous receipts in the Agency Funds opinion unit. However, the receipt should be recorded in the General Fund as intergovernmental receipts. Additionally, a JEDD receipt received from the City of Elyria was recorded as miscellaneous receipts in the Agency Funds opinion unit. However, the receipt should have been recorded in the Capital Projects Funds opinion unit as an intergovernmental receipt. The result was an overstatement of cash and miscellaneous receipts of \$30,393 in the Agency Funds opinion unit, an understatement of cash and intergovernmental receipts in the General Fund opinion unit of \$4,117, and an understatement of cash and intergovernmental receipts of \$26,276 in the Capital Projects Funds opinion unit.
- In 2016, a November gas tax receipt was erroneously recorded as an interest receipt. The result was an overstatement of earnings on investments of \$2,640, with a corresponding understatement of intergovernmental receipts in the Special Revenue Funds opinion unit.

The Township should exercise due care when posting receipt and disbursement activity to their accounting system, including recording activity in the proper fund and account. The Township should review the year-end financial statements for accuracy and reasonableness before filing their financial statements in the Hinkle system for audit.

A similar comment was made in the Township's prior financial statement audit.

Officials' Response: Elyria Township has acknowledged this finding and is working to correct it.

FINDING NUMBER 2017-004

Significant Deficiency – EMS Receipt Controls

The Township utilizes a third-party billing company to bill and collect for emergency medical services (EMS) transportation and treatment provided by the Township. The complementary user entity controls (CUEC) in the system and organization controls (SOC) report for the third-party billing company indicates the Township is responsible for assisting the company with the Township's Medicare and Medicaid applications and revalidation when they occur. Medicare and Medicaid revalidation are necessary for the Township to receive payment for the treatment and transportation of patients who utilize these types of insurance programs.

Beginning in January 2017, the third-party billing company began sending correspondence to the Township about the requirement to complete information for the Township's Medicare revalidation. The Township failed to complete the required documentation when initially contacted and multiple attempts were made by the third-party billing company to obtain the Township's compliance. The result was a lapse in enrollment with Medicare for the treatment and transportation of patients using this insurance program from April 3 through October 24. The Township was unable to collect payment from 62 patient calls that were billed at \$36,884, with the third-party billing company estimating Medicare would have reimbursed the Township \$26,482 of the amount billed because of the lapse in enrollment.

The Township should respond to requests from the third-party billing company for Medicare and Medicaid revalidation and other requests facilitating the Township's ability to receive all payments it is entitled to receive in a prompt manner.

Officials' Response: Elyria Township has acknowledged this finding and is working to correct it.



**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2015-001	Noncompliance and Material Weakness-On-Behalf-Of Grant Accounting: The Township did not record payments on behalf-of the Township and corresponding receipts by ODOT and OPWC	No	Not corrected; repeated as Finding 2017-001.
2015-002	Material Weakness- Fund Classification and Financial Statement Adjustments:	No	Not corrected; repeated as Finding 2017-003.

William Holtzman, Trustee
6874 Murray Ridge Road
Elyria, OH 44035
440.324.7758

Tim Van Dyke, Trustee
51st Street
Elyria, OH 44035
440.324.4703

Rick Hutman, Trustee
42000 Debra Drive
Elyria, OH 44035
440.324.6790

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER



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
SEPTEMBER 12, 2019**