



Dave Yost • Auditor of State



ELYRIA TOWNSHIP  
LORAIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2015 .....	3
Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) Agency Funds For the Year Ended December 31, 2015 .....	4
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2014 .....	5
Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) Agency Funds For the Year Ended December 31, 2014 .....	6
Notes to the Financial Statements .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings (Prepared by Management) .....	21

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# Dave Yost • Auditor of State

## 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, 2015 and 2014.

### ***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 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, 2015 and 2014, or 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 combined cash balances of Elyria Township, Lorain County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements 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 March 10, 2017, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 10, 2017

**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, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$100,646	\$360,092		\$460,738
Charges for Services	75,364			75,364
Licenses, Permits and Fees	31,832			31,832
Intergovernmental	120,059	265,467	\$124,139	509,665
Special Assessments		8,920		8,920
Earnings on Investments	343	33	87	463
Miscellaneous	16,839	5,882	10,000	32,721
<i>Total Cash Receipts</i>	<u>345,083</u>	<u>640,394</u>	<u>134,226</u>	<u>1,119,703</u>
<b>Cash Disbursements</b>				
Current:				
General Government	296,131	218,580		514,711
Public Safety	44,097	25,079		69,176
Public Works	144,468	356,413		500,881
Health	9,230			9,230
Capital Outlay			78,883	78,883
<i>Total Cash Disbursements</i>	<u>493,926</u>	<u>600,072</u>	<u>78,883</u>	<u>1,172,881</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(148,843)</u>	<u>40,322</u>	<u>55,343</u>	<u>(53,178)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Advances In	10,000	10,000		20,000
Advances Out	(10,000)	(10,000)		(20,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>-</u>		
<i>Net Change in Fund Cash Balances</i>	(148,843)	40,322	55,343	(53,178)
<i>Fund Cash Balances, January 1</i>	<u>446,088</u>	<u>154,944</u>	<u>134,489</u>	<u>735,521</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		195,266		195,266
Committed			189,832	189,832
Assigned	438			438
Unassigned	296,807			296,807
<i>Fund Cash Balances, December 31</i>	<u>\$297,245</u>	<u>\$195,266</u>	<u>\$189,832</u>	<u>\$682,343</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, 2015

	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Licenses, Permits and Fees	\$320
Earnings on Investments	6
<i>Total Operating Cash Receipts</i>	<u>326</u>
<b>Operating Cash Disbursements</b>	
Purchased Services	<u>20</u>
<i>Operating Income (Loss)</i>	306
<i>Net Change in Fund Cash Balances</i>	306
<i>Fund Cash Balances, January 1</i>	<u>8,919</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$9,225</u></u>

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



**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, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$103,169	\$368,467		\$471,636
Charges for Services	78,315			78,315
Licenses, Permits and Fees	34,035			34,035
Intergovernmental	155,453	167,564	\$19,459	342,476
Special Assessments		9,079		9,079
Earnings on Investments	818	57	215	1,090
Miscellaneous	37,806	13,617		51,423
<i>Total Cash Receipts</i>	<u>409,596</u>	<u>558,784</u>	<u>19,674</u>	<u>988,054</u>
<b>Cash Disbursements</b>				
Current:				
General Government	280,605	250,979		531,584
Public Safety	29,700	80,790		110,490
Public Works	6,481	340,398		346,879
Health	11,117			11,117
Capital Outlay		20,932	78,152	99,084
<i>Total Cash Disbursements</i>	<u>327,903</u>	<u>693,099</u>	<u>78,152</u>	<u>1,099,154</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>81,693</u>	<u>(134,315)</u>	<u>(58,478)</u>	<u>(111,100)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		9,281		9,281
Transfers Out	(9,281)			(9,281)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(9,281)</u>	<u>9,281</u>		
<i>Net Change in Fund Cash Balances</i>	72,412	(125,034)	(58,478)	(111,100)
<i>Fund Cash Balances, January 1</i>	<u>373,676</u>	<u>279,978</u>	<u>192,967</u>	<u>846,621</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		154,944		154,944
Committed			134,489	134,489
Unassigned	446,088			446,088
<i>Fund Cash Balances, December 31</i>	<u>\$446,088</u>	<u>\$154,944</u>	<u>\$134,489</u>	<u>\$735,521</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, 2014

	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Licenses, Permits and Fees	\$130
Earnings on Investments	1
<i>Total Operating Cash Receipts</i>	<u>131</u>
<b>Operating Cash Disbursements</b>	
Purchased Services	<u>783</u>
<i>Operating Income (Loss)</i>	(652)
<b>Non-Operating Cash Receipts (Disbursements)</b>	
Miscellaneous	<u>8,901</u>
<i>Income (Loss)</i>	8,249
<i>Fund Cash Balances, January 1</i>	<u>670</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$8,919</u></u>

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

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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, cemetery 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 ventures and one public entity risk pool. Notes 8, 9, and 10 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority

Joint Venture:

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

Jointly Governed Organizations:

Lorain County General Health District

Northeast Ohio Areawide Coordinating Agency

The Township's management believes these financial statements present all activities 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 all fiduciary fund types which are organized on a fund type basis.

**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.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**B. Fund Accounting (Continued)**

**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 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.

**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.

ELYRIA TOWNSHIP  
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

2. **Summary of Significant Accounting Policies (Continued)**

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.

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 2015 and 2014 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

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

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.

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.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**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:

	2015	2014
Demand deposits	\$475,146	\$528,392
Certificates of deposit	151,987	151,681
Total deposits	627,133	680,073
 STAR Ohio	 64,435	 64,367
Total deposits and investments	\$691,568	\$744,440

**Deposits:** Deposits are insured by the Federal Depository Insurance 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 years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$329,859	\$355,083	\$25,224
Special Revenue	536,790	650,394	113,604
Capital Projects	200	134,226	134,026
Total	\$866,849	\$1,139,703	\$272,854

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$497,985	\$504,364	(\$6,379)
Special Revenue	695,571	610,772	84,799
Capital Projects	125,000	78,883	46,117
Total	\$1,318,556	\$1,194,019	\$124,537

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**4. Budgetary Activity (Continued)**

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$385,278	\$409,596	\$24,318
Special Revenue	564,993	568,065	3,072
Capital Projects	-	19,674	19,674
Total	\$950,271	\$997,335	\$47,064

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$475,201	\$337,184	\$138,017
Special Revenue	723,597	693,099	30,498
Capital Projects	199,459	78,152	121,307
Total	\$1,398,257	\$1,108,435	\$289,822

**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.

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 2015 and 2014, 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, 2015.



**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. Retirement System (Continued)**

**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 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**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 percent of the employer contribution to fund these benefits.

**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, 2015, 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.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**8. Risk Management (Continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	<u>8,418,518</u>	<u>8,912,432</u>
Net Position	<u>\$28,894,793</u>	<u>\$27,057,831</u>

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$13,584.

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**

	<u>2015</u>	<u>2014</u>
	\$25,630	\$25,798

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.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**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. 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.

**B. Northeast Ohio Areawide Coordinating Agency**

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

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**11. Subsequent Events**

In September 2016, the Township entered into an agreement with American Tower for the purchase of the lease of the property on which a repeater tower is in operation. American Tower agreed to pay the Township \$500,000 in exchange for the Township forgoing future tower lease revenue.

In the November 2016 general election, electors of Township approved a replacement and increase property tax levy for fire protection services. The levy is for 6.0 mils for five years. The additional money generated from the levy will be used to increase fire department staffing.



# Dave Yost • Auditor of State

## 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, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated March 10, 2017 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***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 audit the Township's responses 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 10, 2017

ELYRIA TOWNSHIP  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

**Noncompliance and Material Weakness - On-Behalf-Of Grant Accounting**

**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.

The Township was engaged in a project receiving funding from the Ohio Department of Transportation (ODOT) in 2014 and from the Ohio Public Works Commission in 2015 (OPWC). ODOT and OPWC paid the vendors directly for expenditures incurred by the Township, rather than reimbursing the Township. The proper accounting treatment for these on-behalf-of expenditures is to record the expenditure in the fund accounting for the project and to record a corresponding intergovernmental receipt in the same fund. Appropriations and estimated resources should also be recorded in the accounting system.

The Township did not record \$19,459 in on-behalf-of expenditures made by ODOT in 2014, resulting in an understatement of capital outlay expenditures, and a corresponding understatement of intergovernmental receipts, in the Capital Projects Funds. The financial statements have been adjusted by management to correct this error.

The Township did not record \$99,398 in on-behalf-of grant expenditures made by OPWC in 2015, resulting in an understatement of public works expenditures, and a corresponding understatement of intergovernmental receipts in the Special Revenue Funds. The financial statements have been adjusted by management to correct this error.

Since a large portion of ODOT funding is provided through grants from the Federal government, failure to record on-behalf-of expenditures could result in the Township not receiving a Federal Single Audit, when required. Additionally, failure to record on-behalf-of expenditures and corresponding receipts could result in future material financial statement adjustments and does not provide a complete accounting of all of the Township's financial activity.

The Township should ensure procedures are in place to record all on-behalf-of grant expenditures, and corresponding receipts on the financial statements. Appropriations and estimated resources should also be recorded in the accounting system. The Township should work with their engineer or other personnel to obtain the required supporting documentation for the accurate recording of such activity. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

**Officials' Response:** The recommendations in Finding No. 2015-01 are noted. The Elyria Township accounting procedures needed for compliance are currently in place effective January 1, 2017.

## FINDING NUMBER 2015-002

### Material Weakness- Fund Classification and Financial Statement Errors

Agency Funds are used to report resources held by a government in purely a custodial capacity and cannot be used to support the government's own programs.

The Township receives Joint Economic Development District (JEDD) receipts from the City of Elyria through a formal agreement between the two parties. While JEDD receipts are to be used by the Township for economic development, the agreement does not restrict the Township to specific items or purposes and are not custodial in nature.

In 2014, \$56,368 in JEDD receipts were recorded in an agency fund, instead of the General Fund. Additionally, there were \$200 in other receipts, \$641 in expenses, and \$178,852 in cash fund balance that were erroneously recorded in the JEDD Agency Fund, rather than the General Fund. In 2015, no JEDD receipts were recorded in the JEDD Agency Fund; however, \$33 in other receipts, \$157,204 in expenses, and \$21,681 in cash fund balance were erroneously recorded in the JEDD Agency Fund, rather than the General Fund. The financial statements were adjusted by management to properly reflect the JEDD Agency Fund's activity in the General Fund.

In addition, the following financial statement errors were noted:

- In 2015, JEDD receipts were erroneously recorded in the Fire Loss Claim agency fund instead of the General Fund. The result was an overstatement of cash fund balance and intergovernmental receipts in the Agency Fund opinion unit of \$26,649, with a corresponding understatement of intergovernmental receipts and cash fund balance in the General Fund.
- In 2015, a donation from a private organization was misclassified in the Capital Projects Fund opinion unit. The result was a \$10,000 overstatement of intergovernmental receipts and a corresponding understatement of miscellaneous receipts.
- In 2015, insurances rebates, the sale of scrap, and similar receipts were misclassified as other financing sources in the General Fund. The result was a \$2,108 overstatement of other financing sources and a corresponding understatement of miscellaneous receipts.
- In 2014, a JEDD receipt was erroneously classified as a miscellaneous receipt in the General Fund. The result was a \$21,986 overstatement of miscellaneous receipts and a corresponding understatement of intergovernmental receipts.
- In 2014, insurances rebates, the sale of scrap, and similar receipts were misclassified as other financing sources in the General Fund. The result was a \$2,544 overstatement of other financing sources and a corresponding understatement of miscellaneous receipts.

The Township's financial statements were adjusted by management to correct these errors.

To help ensure more accurate financial reporting, the Township should ensure all receipts and disbursements are recorded in the financial statements in the appropriate fund and category. Additionally, the Township should ensure agency funds are only used to account for revenue that is not the Townships and will be disbursed to other individuals or entities.

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

**Officials' Response:** The recommendations in Finding No. 2015-02 are noted. Subsequently Elyria Township accounting procedures needed for compliance are currently in place effective January 1, 2017.



**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<p><b>Material Weakness-Fund Type Classification:</b> The Township reported JEDD receipts and activity in an agency fund, rather than accounting for the activity in the General Fund. Additionally, several other financial statement adjustments were noted.</p>	No	Not Corrected; Repeated as Finding 2015-001.
2013-002	<p><b>Material Non-Compliance-Expenditure Certification:</b> Expenditures were not properly certified in accordance with Ohio Rev. Code § 5705.41(D) in 46% of expenditures tested.</p>	Yes	Finding No Longer Valid.

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# Dave Yost • 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  
APRIL 4, 2017