



Dave Yost • Auditor of State



**LAGRANGE TOWNSHIP  
LORAIN COUNTY  
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DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

LaGrange Township  
Lorain County  
353 South Center Street  
LaGrange, Ohio 44050

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 LaGrange 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 LaGrange Township, Lorain County 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.

***Emphasis of Matter***

As discussed in Note 12 to the December 31, 2017 financial statements, during 2017, the Township restated its beginning fund cash balance for the General Fund and Agency Funds. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

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

December 12, 2018

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**LaGrange Township**

Lorain County, Ohio

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types

For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$141,450	\$477,884	\$0	\$619,334
Charges for Services	0	144,204	0	144,204
Licenses, Permits and Fees	15,562	23,725	0	39,287
Intergovernmental	99,724	172,345	0	272,069
Earnings on Investments	1,350	264	0	1,614
Miscellaneous	21,962	43,227	0	65,189
<i>Total Cash Receipts</i>	<u>280,048</u>	<u>861,649</u>	<u>0</u>	<u>1,141,697</u>
<b>Cash Disbursements</b>				
Current:				
General Government	241,468	0	0	241,468
Public Safety	0	401,559	0	401,559
Public Works	2,472	231,963	0	234,435
Health	0	25,034	0	25,034
Conservation-Recreation	0	38,750	0	38,750
Capital Outlay	0	66,857	25,000	91,857
Debt Service:				
Principal Retirement	0	2,768	0	2,768
<i>Total Cash Disbursements</i>	<u>243,940</u>	<u>766,931</u>	<u>25,000</u>	<u>1,035,871</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>36,108</u>	<u>94,718</u>	<u>(25,000)</u>	<u>105,826</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	0	37,750	50,000	87,750
Transfers Out	(37,750)	(50,000)	0	(87,750)
Advances In	3,694	3,694	0	7,388
Advances Out	(3,694)	(3,694)	0	(7,388)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(37,750)</u>	<u>(12,250)</u>	<u>50,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(1,642)</u>	<u>82,468</u>	<u>25,000</u>	<u>105,826</u>
<i>Fund Cash Balances, January 1, Restated (See Note 12)</i>	<u>235,458</u>	<u>737,998</u>	<u>74,933</u>	<u>1,048,389</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	820,466	99,933	920,399
Assigned	182,170	0	0	182,170
Unassigned (Deficit)	51,646	0	0	51,646
<i>Fund Cash Balances, December 31</i>	<u>\$233,816</u>	<u>\$820,466</u>	<u>\$99,933</u>	<u>\$1,154,215</u>

See accompanying notes to the basic financial statements

**LaGrange Township**

Lorain County, Ohio

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)

Fiduciary Fund Type

For the Year Ended December 31, 2017

	Fiduciary Fund Type
	Agency
<b>Operating Cash Receipts</b>	
Fines and Forfeitures	\$8
<i>Total Operating Cash Receipts</i>	<u>8</u>
<b>Operating Cash Disbursements</b>	
Employee Fringe Benefits	33,600
Purchased Services	246
<i>Total Operating Cash Disbursements</i>	<u>33,846</u>
<i>Operating Income (Loss)</i>	<u>(33,838)</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	11,000
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>11,000</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(22,838)</u>
Special Item	33,600
<i>Net Change in Fund Cash Balances</i>	10,762
<i>Fund Cash Balances, January 1 , Restated (See Note 12)</i>	<u>6,338</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$17,100</u></u>

See accompanying notes to the basic financial statements

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the LaGrange Township, Lorain County, (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. The Township contracts with the Lorain County Sheriff to provide police protection services.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in jointly governed organizations, joint ventures and a public entity risk pool and is associated with a related organization. Notes 10 and 11 to the financial statements provides additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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:

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

***Roads and Bridges Fund*** The road and bridges fund accounts for and reports funds received for the construction, maintenance, and repairing of Township roads and bridges.

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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***Fire and EMS Levy Fund*** The fire and ems levy fund accounts for and reports funds received for the operation of the fire and emergency medical services.

***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 funds:

***Fire and EMS Equipment Fund*** The fire and ems equipment fund accounts for capital equipment purchased for the fire and emergency medical services department.

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

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 a three percent Board of Building Standards Fees collected on behalf of the state and the collection of fire hydrant monies from new subdivision to be paid to on behalf

***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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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.

***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.

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**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. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

***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.

***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.

***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.

***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:

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

***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.

***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.

***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.

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 as follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$239,716	\$283,742	\$44,026
Special Revenue	960,868	903,093	(57,775)
Capital Projects	75,000	50,000	(25,000)
Total	\$1,275,584	\$1,236,835	(\$38,749)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$396,600	\$285,384	\$111,216
Special Revenue	1,209,250	820,625	388,625
Capital Projects	125,000	25,000	100,000
Total	\$1,730,850	\$1,131,009	\$599,841

**Note 4 – 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	2017 \$10,892
Other time deposits (savings and NOW accounts)	1,160,423
Total deposits	1,171,315

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township; or collateralized through the Ohio Pooled Collateral System (OPCS).

The Township's deposits are collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining OPCS; however, at December 31, 2017, the financial institution still maintained its own collateral pool.

**Note 5 – Property Taxes**

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.

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

**Note 6 – Risk Management**

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

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

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

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

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 \$2,000.

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.

<b><u>2017 Contributions to OTARMA</u></b>
\$3,892

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.

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.



**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

***Social Security***

Township Firefighters exempt from OPERS as well as members of the Zoning Board and Board of Zoning Appeal members that are paid annually 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, 2017.

**Note 8 – Postemployment Benefits**

OPERS offers a 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

**Note 9 – Debt**

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
OPWC Loan- Whitney Road Widening	\$29,064	0%
Total	\$29,064	

The Township received a loan in from Ohio Public Works for the widening of Whitney Road.

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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***Amortization***

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	OPWC
2018	\$2,768
2019	2,768
2020	2,768
2021	2,768
2022	2,768
2023-2028	15,224
Total	<u>\$29,064</u>

**Note 10 – Joint Ventures**

**LaGrange Community Improvement Corporation** - LaGrange Township and the Village of LaGrange the LaGrange Community Improvement Corporation in March 2005 to develop and implement a plan for the subdivision, sale, lease, of real estate jointly owned by the Village and Township.

**LaGrange Community Park** - LaGrange Township and the Village of LaGrange formed a joint park and recreation board pursuant to Ohio Revised Code Section 755.14(B) which is a joint venture. The LaGrange Community Park is governed by five members who are residents of either the Village or the Township. A Chairperson is appointed to a term of one year on an alternating basis by the Township and the Village. The other Board members are appointed by the Township and Village proportionately. The Board exercises all powers to equip, operate, and maintain parks, playgrounds, playfields, gymnasiums, public baths, swimming pools, and recreation centers. The Township appointed a voting majority of the members in fiscal year 2003 and may resolve the Board at any time, upon one year written notice to the Village. Financial information may be obtained by contacting Debbie Zarbaugh, Clerk-Treasurer, at 355 South Center Street, LaGrange, Ohio 44050.

**Note 11 – Jointly Governed Organizations**

**Lorain County Rural Water Authority** - The Rural Lorain County Water Authority, a regional water district, is a political subdivision of the State of Ohio created by the Lorain County Common Pleas Court. The Authority was declared by the Court, on August 23, 1973, to be a duly organized regional water district, a political subdivision of the State of Ohio organized under Chapter 6119 of the Ohio Revised Code. The Authority operates under a Board of Trustees, which consists of as many members as equal to the total number of villages and townships within this regional water district.

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Northeast Ohio Public Energy Council (NOPEC)** - The Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments organized pursuant to Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to service on the eleven –member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information should be directed to NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

**Note 12 – Restatement of Prior Year Fund Balances**

In fiscal year 2008, the Township began collecting fire hydrant fees on-behalf of a new subdivision being constructed in the Township. The fees collected are to be remitted to the Rural Lorain County Water Authority for the installation of fire hydrants within those subdivisions. In previous years, these amounts were reported in the General Fund, but the Township believes these are better reported in an Agency Fund, as they do not represent Township monies but are only monies held on-behalf of others until the hydrants can be installed. The Township and has restated the beginning General and Agency Funds as follows to reflect this change:

2017 Beginning Fund Cash Balance - General Fund	\$241,458
Less - Amount of Fund Cash Balance for Hydrants	<u>6,000</u>
Restated Beginning Fund Cash Balance - General Fund	<u>\$235,458</u>
2017 Beginning Fund Cash Balance - Fire Hydrant Fund	\$ 338
Add - Amount of Fund Cash Balance From the General Fund	<u>6,000</u>
Restated Beginning Fund Cash Balance - Fire Hydrant Fund	<u>\$ 6,338</u>

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**LaGrange Township**  
*Lorain County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$139,533	\$469,871	\$0	\$609,404
Charges for Services	0	132,105	0	132,105
Licenses, Permits and Fees	12,773	27,025	0	39,798
Intergovernmental	67,300	171,680	0	238,980
Earnings on Investments	1,440	38	0	1,478
Miscellaneous	17,365	32,874	0	50,239
<i>Total Cash Receipts</i>	<u>238,411</u>	<u>833,593</u>	<u>0</u>	<u>1,072,004</u>
<b>Cash Disbursements</b>				
Current:				
General Government	237,621	0	0	237,621
Public Safety	0	392,778	0	392,778
Public Works	2,050	308,847	0	310,897
Health	0	24,872	0	24,872
Conservation-Recreation	0	38,750	0	38,750
Capital Outlay	6,525	167,938	29,566	204,029
Debt Service:				
Principal Retirement	0	2,768	52,473	55,241
Interest and Fiscal Charges	0	0	1,299	1,299
<i>Total Cash Disbursements</i>	<u>246,196</u>	<u>935,953</u>	<u>83,338</u>	<u>1,265,487</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,785)</u>	<u>(102,360)</u>	<u>(83,338)</u>	<u>(193,483)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	0	38,750	50,000	88,750
Transfers Out	(38,750)	(50,000)	0	(88,750)
Advances In	3,861	3,861	0	7,722
Advances Out	(3,861)	(3,861)	0	(7,722)
Other Financing Uses	(611)	0	0	(611)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(39,361)</u>	<u>(11,250)</u>	<u>50,000</u>	<u>(611)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(47,146)</u>	<u>(113,610)</u>	<u>(33,338)</u>	<u>(194,094)</u>
<i>Fund Cash Balances, January 1</i>	<u>288,604</u>	<u>851,608</u>	<u>108,271</u>	<u>1,248,483</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	737,998	74,933	812,931
Assigned	156,884	0	0	156,884
Unassigned (Deficit)	84,574	0	0	84,574
<i>Fund Cash Balances, December 31</i>	<u>\$241,458</u>	<u>\$737,998</u>	<u>\$74,933</u>	<u>\$1,054,389</u>

*See accompanying notes to the basic financial statements*

**LaGrange Township**

*Lorain County, Ohio*

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)*

*Fiduciary Fund Type*

*For the Year Ended December 31, 2016*

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	Fiduciary Fund Type
	Agency
<b>Operating Cash Receipts</b>	
Fines and Forfeitures	\$0
<i>Total Operating Cash Receipts</i>	<u>0</u>
<b>Operating Cash Disbursements</b>	
Other	0
<i>Total Operating Cash Disbursements</i>	<u>0</u>
<i>Operating Income (Loss)</i>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	0
<i>Fund Cash Balances, January 1</i>	<u>338</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$338</u></u>

*See accompanying notes to the basic financial statements*

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of LaGrange Township, Lorain County, (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. The Township contracts with the Lorain County Sheriff to provide police protection services.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in jointly governed organizations, joint ventures and a public entity risk pool and is associated with a related organization. Notes 10 and 11 to the financial statements provides additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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:

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

***Roads and Bridges Fund*** The road and bridges fund accounts for and reports funds received for the construction, maintenance, and repairing of Township roads and bridges.

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***Fire and EMS Levy Fund*** The fire and ems levy fund accounts for and reports funds received for the operation of the fire and emergency medical services.

***Debt Service Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had no debt service funds in 2016.

***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 funds:

***Fire and EMS Equipment Fund*** – The fire and ems equipment fund accounts for capital equipment purchased for the fire and emergency medical services department.

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

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 a three percent Board of Building Standards Fees collected on behalf of the state and the collection of fire hydrant monies from new subdivision to paid to the Rural Lorain County Water Authority for the installation of fire hydrants in the subdivision.

***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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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.



**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***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.

***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. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

***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.

***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.

***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.

***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:

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

***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.

***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.

***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*

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not 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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$272,275	\$242,272	(\$30,003)
Special Revenue	963,272	876,204	(87,068)
Capital Projects	75,000	50,000	(25,000)
Total	\$1,310,547	\$1,168,476	(\$142,071)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$515,055	\$289,418	\$225,637
Special Revenue	1,488,585	989,814	498,771
Capital Projects	155,000	83,338	71,662
Total	\$2,158,640	\$1,362,570	\$796,070

**Note 4 – 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	2016 \$45,919
Other time deposits (savings and NOW accounts)	1,008,808
Total deposits	1,054,727

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township; or collateralized through the Ohio Pooled Collateral System (OPCS).

The Township's deposits are collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining OPCS; however, at December 31, 2017, the financial institution still maintained its own collateral pool.

**Note 5 – Property Taxes**

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.

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

**Note 6 – Risk Management**

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

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

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

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

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 \$4,000.

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.

<b><u>2016 Contributions to OTARMA</u></b>
\$ 3,892

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

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

***Social Security***

Township Firefighters exempt from OPERS as well as members of the Zoning Board and Board of Zoning Appeal members that are paid annually 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, 2016.

**Note 8 – Postemployment Benefits**

OPERS offers a 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 9 – Debt**

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
OPWC Loan- Whitney Road Widening	\$31,832	0%
Total	\$31,832	

The Township received a loan in from Ohio Public Works for the widening of Whitney Road.

***Amortization***

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	OPWC
2017	\$2,768
2018	2,768
2019	2,768
2020	2,768
2021	2,768
2022-2028	17,992
Total	\$31,832

**LaGrange Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 10 – Joint Ventures**

**LaGrange Joint Community Improvement Corporation** - LaGrange Township and the Village of LaGrange the LaGrange Community Improvement Corporation in March 2005 to develop and implement a plan for the subdivision, sale, lease, of real estate jointly owned by the Village and Township.

**LaGrange Community Park** - LaGrange Township and the Village of LaGrange formed a joint park and recreation board pursuant to Ohio Revised Code Section 755.14(B) which is a joint venture. The LaGrange Community Park is governed by five members who are residents of either the Village or the Township. A Chairperson is appointed to a term of one year on an alternating basis by the Township and the Village. The other Board members are appointed by the Township and Village proportionately. The Board exercises all powers to equip, operate, and maintain parks, playgrounds, playfields, gymnasiums, public baths, swimming pools, and recreation centers. The Township appointed a voting majority of the members in fiscal year 2003 and may resolve the Board at any time, upon one year written notice to the Village. Financial information may be obtained by contacting Debbie Zarbaugh, Clerk-Treasurer, at 355 South Center Street, LaGrange, Ohio 44050.

**Note 11 – Jointly Governed Organizations**

**Rural Lorain County Water Authority** - The Rural Lorain County Water Authority, a regional water district, is a political subdivision of the State of Ohio created by the Lorain County Common Pleas Court. The Authority was declared by the Court, on August 23, 1973, to be a duly organized regional water district, a political subdivision of the State of Ohio organized under Chapter 6119 of the Ohio Revised Code. The Authority operates under a Board of Trustees, which consists of as many members as equal to the total number of villages and townships within this regional water district.

**Northeast Ohio Public Energy Council (NOPEC)** - The Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments organized pursuant to Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to service on the eleven –member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information should be directed to NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.



# 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

LaGrange Township  
Lorain County  
355 South Center Street  
LaGrange, Ohio 44012

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 LaGrange Township, Lorain County, (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 December 12, 2018, wherein we noted that the Township followed financial reporting provisions of the 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-003 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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.



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

December 12, 2018



**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**1. Implementation of Credit Card Review**

<i>Finding Number</i>	2017-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

The LaGrange Township Personnel Policy and Procedures Manual, Section 6.17, states, in part, “LaGrange Township elected officials and Fire Chief will have available, for their usage, a credit card. For the purpose of this policy cardholder means the person whose name appears on the front of the credit card.

The Card is to be used for Township business only when attending Township business. This applies to conventions and approved seminars. The Clerk will provide a blanket certificate of exemption along with the card.”

The Township management should review all credit card purchases to ensure that only expenditures of a proper purpose

Review of credit card purchases made during the audit period revealed the following:

- The Township paid \$90 and \$261 in sales tax during 2017 and 2016, respectively. As the Township is a tax-exempt entity, payment of sales tax on purchases is not considered a proper public expenditure.
- In 2016, a Trustee erroneously charged a total of \$511 in personal charges to the Township credit card. Personal charges are not a proper public expenditure. The Trustee repaid the money in 2018 immediately upon being notified.
- In 2016, there were \$58 total in receipts missing from credit card purchases. Another statement and receipts for \$662 were also missing. The missing documentation makes it impossible to know if the items purchased are proper public purpose.
- In 2017, there was a \$22 credit card receipt from Lorain County Courts that was not detailed, \$706 was paid to Arrow Uniform from a generic statement that was not detailed, and \$30 in receipts from Rural King were missing.

Purchasing items that are not for a proper public purpose can lead to the Township assets being misappropriated and potential findings for recovery.

We recommend management review all credit card purchases and ensure they are for the benefit of the Township, properly supported, and exclude sales tax.

**Official’s Response:**

Part of the sales tax indicated as paid was from personal charges incorrectly made by a trustee and was repaid upon discovery. These credit card charges were made mistakenly due to the fact that personnel and business credit cards from our bank looked identical and got by myself and trustees upon review. These sales tax payments were repaid and should not be listed as an expenditure.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(CONTINUED)**

The sales tax paid to Wolf Brothers in the amount of \$44 and Rush Truck Center for \$247 was not indicated to the Township as incorrect until November 29, 2018 and the Township requested refund of these charges from those companies.

Missing receipts have been an issue with an employee and he has been told for several months to turn in receipts or he would have the charges taken out of his check. Since he was spoken to about this by these auditors he has been 100% perfect in turning in receipts.

The payment to Arrow Uniform was not a charge on a credit card. They did not always leave tickets when picking up uniforms and were very difficult to deal with. The company is now Unifirst and they email copies of all invoices and statements directly to the Township prior to payment being made.

**2. Timesheet Approvals**

<i>Finding Number</i>	2017-002
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Section 4.1 Part C of the LaGrange Township Personnel Policy and Procedures Manual states, "All employees must sign their time sheets and the department head/supervisor must sign department payroll sheets." This is a key control for Township management to ensure that all employees receive appropriate amounts of compensation based on accurate information related to employees' working hours and used leave.

Due to the lack of adequate review by the Fire Chief in 2017, no supervisor approved the Fire Fighter and EMT payroll sheets; these instances comprised 11 of 13 total time sheets tested. In 2016, there was no evidence that the Fire Chief approved payroll sheets of the Fire Fighter and EMS staff; these represented 14 of 16 time sheets tested. Lack of review of time sheets led to over payments totaling \$178 in 2016 and under payments totaling \$13 in 2017. Not having proper documentation of the supervisor review of time sheets could lead to employees being paid for hours not worked and potential findings for recovery.

We recommend the department head/supervisor of any employee of the Township review the time sheets each pay period, and, once the head/supervisor has determined the information is accurate, the head/supervisor should sign the time sheet/payroll sheet, attesting to the accuracy of the information.

**Official's Response:**

This method of doing payroll has been done this way for 15 years and was never questioned. Following this audit we are now having department heads approve employee pay sheets prior to the final payroll calculation. We have also replaced the previous Fire and EMS payroll clerk.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(CONTINUED)**

**3. Financial Reporting**

<i>Finding Number</i>	2017-003
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MATERIAL WEAKNESS

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. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors were noted and a subsequent reclassification was made to the financial statements and, where applicable, to the Township's accounting records:

- In 2016, the Township classified \$53,772 of Capital Lease principal and interest payments as capital outlay;
- The 2016 General Fund balance of \$241,458 was incorrectly classified as committed, as \$156,884 should have been reported as assigned for subsequent year appropriations, and the remaining \$84,574 should have been classified as unassigned;
- The 2017 General Fund balance of \$233,816 was incorrectly classified as committed, as \$182,170 should have been reported as assigned fund balance for subsequent year appropriations, and the remaining \$51,646 should have been reported as unassigned;
- The beginning 2016 cash fund balances in the General and Special Revenue Funds were \$738 less and \$1,705 more, respectively, than the 2015 ending cash balances reported on the financial statements;
- The beginning 2017 cash fund balances in the General and Special Revenue Funds were \$6,003 and \$822 less, respectively, than the 2016 ending fund balances per the Hinkle System. The main difference was a restatement of General Fund balance to the Agency Funds, which was not properly disclosed in the notes to the financial statements filed in the Hinkle System;
- The 2016 budgeted and actual receipt totals reported in the budgetary footnote did not agree to the accounting system or the Amended Certificate of Resources;
- The 2017 budgeted and actual receipt and disbursement totals reported in the budgetary footnote did not agree to the accounting system or the Amended Certificate of Resources and appropriations measure;
- Ohio Public Works Commission loan repayments were incorrectly classified as Public Works disbursements in the financial statements, instead of Principal Retirement;
- We noted five of twenty-seven disbursements in which the information posted to UAN did not agree to the cleared check information provided by the Township;

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(CONTINUED)**

Lack of financial statement review and oversight by management can lead to statements being significantly incorrect and potential findings for adjustments against the Township.

We recommend the Trustees review the statement for obvious inconsistencies or omissions prior to the reports being filed on the Hinkle System.

**Official's Response:**

Funds were incorrectly classified and they will be looked at more closely from this point on.

Reviewing the cash summary by fund report for the years in question showed the beginning balances identical to the year ending balances despite what the audit states. As fund adjustments are made during the year the beginning of the year balances are automatically changed in UAN on the financial statements. This will have to be a manual notation in the Hinkle system.



# Dave Yost • Auditor of State

**LAGRANGE 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  
DECEMBER 27, 2018**