



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE **KEITH FABER**



January 22, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

A handwritten signature in cursive script that reads "Keith Faber".

NEW RUSSIA TOWNSHIP
LORAIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

New Russia Township
Lorain County
46300 Butternut Ridge Road
New Russia, Ohio 44074

To the Township 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 New Russia 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 1 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 New Russia Township, Lorain County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 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 28, 2018

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New Russia Township
Lorain County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$23,678	\$100,948	\$124,626
Licenses, Permits and Fees	1,043,584		1,043,584
Fines and Forfeitures	673		673
Intergovernmental	47,662	106,228	153,890
Earnings on Investments	31,880	356	32,236
Miscellaneous	200,131	8,284	208,415
<i>Total Cash Receipts</i>	<u>1,347,608</u>	<u>215,816</u>	<u>1,563,424</u>
Cash Disbursements			
Current:			
General Government	618,908		618,908
Public Safety	176,034		176,034
Public Works	22,435	266,347	288,782
Health	20,054		20,054
Human Services	6,000		6,000
Conservation-Recreation	3,117		3,117
Capital Outlay	241,117		241,117
Debt Service:			
Principal Retirement	27,531		27,531
<i>Total Cash Disbursements</i>	<u>1,115,196</u>	<u>266,347</u>	<u>1,381,543</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>232,412</u>	<u>(50,531)</u>	<u>181,881</u>
<i>Fund Cash Balances, January 1</i>	<u>3,545,381</u>	<u>750,160</u>	<u>4,295,541</u>
Fund Cash Balances, December 31			
Restricted		699,629	699,629
Assigned	1,019,032		1,019,032
Unassigned	2,758,761		2,758,761
<i>Fund Cash Balances, December 31</i>	<u>\$3,777,793</u>	<u>\$699,629</u>	<u>\$4,477,422</u>

See accompanying notes to the basic financial statements

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**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of New Russia 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 general government services, road and bridge maintenance, and cemetery maintenance. The Township contracts with the City of Oberlin and the Village of South Amherst for fire protection and is served by the Central Lorain County Ambulance District for ambulance services. Police protection is provided by the Lorain County Sheriff. The Township belongs to the Ohio Township Association Risk Management Authority public entity risk pool. Note 8 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

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. Investments in STAR Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on December 31, 2017.

D. 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:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for proceeds from specific sources (other than from private purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Motor Vehicle Tax Fund - This fund receives motor vehicle tax money to pay for constructing, maintaining, and repairing Township roads.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)**

1. Summary of Significant Accounting Policies (Continued)

NOPEC “Powering Our Community Grant – This fund receives grant money due to New Russia Township’s participation in NOPEC (“Northeast Ohio Public Energy Council) in which monies received were used to promote energy savings.

LCSWMD “Lorain County Solid Waste Management District” Grant – This fund receives money from local Solid Waste District in which New Russia Township participates in recycling and grant received promotes recycling

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 fund accounts for a three percent Board of Building Standards fee that is remitted to the State of Ohio when collected. A financial statement was not presented since there was no fund balance or activity in 2017.

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and department level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also 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. A summary of 2017 budgetary activity appears in Note 3.

F. 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.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)**

1. Summary of Significant Accounting Policies (Continued)

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 The 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 the Trustees or a Township official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

G. Property, Plant, and Equipment

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

H. 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.

2. Equity in Pooled Deposits and Investments

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

Demand deposits	\$ 182,232
Certificates of deposit	2,853,953
Other time deposits (savings and NOW accounts)	1,176,510
Total deposits	4,212,695
Investment - STAR Ohio	264,727
Total deposits and investments	\$4,477,422

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)**

2. Equity in Pooled Deposits and Investments (Continued)

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.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2017 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,114,114	\$1,347,608	\$233,494
Special Revenue	197,989	215,816	17,827
Agency	1,000	0	(1,000)
Total	<u>\$1,313,103</u>	<u>\$1,563,424</u>	<u>\$250,321</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,200,000	\$1,115,196	\$1,084,804
Special Revenue	467,029	266,347	200,682
Agency	1,000	0	1,000
Total	<u>\$2,668,029</u>	<u>\$1,381,543</u>	<u>\$1,286,486</u>

4. 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. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)**

5. Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
2010 OPWC Loan CI02N	\$43,378	0%
2011 OPWC Loan CT19P	57,220	0%
2016 OPWC Loan CI17S	196,062	0%
Total	\$296,660	

All OPWC loans are being paid from General Fund revenues.

2010 OPWC Loan CI02N - 30 Year Loan for the Butternut Ridge Road Improvement in the amount of \$53,115.

2011 OPWC Loan CT19P - 10 year loan for Garfield Road in the amount of \$114,441.

2016 OPWC Loan CI17S - 12 year loan for the West Hamilton Street Improvements in the amount of \$213,885.

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

Year Ending December 31	2010 OPWC	2011 OPWC	2016 OPWC
2018	\$ 1,771	\$ 11,444	\$ 11,883
2019	1,771	11,444	11,883
2020	1,771	11,444	11,883
2021	1,771	11,444	11,883
2022	1,771	11,444	11,883
2023-2027	8,853		59,415
2028-2032	8,853		59,415
2033-2037	8,853		17,817
2038-2042	7,964		
Total	\$ 43,378	\$ 57,220	\$ 196,062

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. 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.

Also, members of our Zoning Boards pay into Social Security for wages earned, employees contributed 6.2% of their gross salaries and the Township contributed an amount equaling 6.2% of participants' gross salaries.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)**

7. Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 1% during calendar year 2017.

8. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Risk Pool Membership

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), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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

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

Financial Position

OTARMA's financial statements (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

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)**

8. Risk Management (Continued)

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$12,000.

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.

<u>2017 Contributions to OTARMA</u> \$26,825

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.

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	22,503	\$94,744		\$117,247
Licenses, Permits and Fees	991,648			991,648
Fines and Forfeitures	895			895
Intergovernmental	52,287	131,738	\$8,886	192,911
Earnings on Investments	29,266	177		29,443
Miscellaneous	166,821	3,745		170,566
<i>Total Cash Receipts</i>	<u>1,263,420</u>	<u>230,404</u>	<u>8,886</u>	<u>1,502,710</u>
Cash Disbursements				
Current:				
General Government	600,602			600,602
Public Safety	179,588			179,588
Public Works	50,972	77,620		128,592
Health	49,011			49,011
Conservation-Recreation	5,000			5,000
Other	3,755			3,755
Capital Outlay	45,943		8,886	54,829
Debt Service:				
Principal Retirement	31,362			31,362
<i>Total Cash Disbursements</i>	<u>966,233</u>	<u>77,620</u>	<u>8,886</u>	<u>1,052,739</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>297,187</u>	<u>152,784</u>	<u>0</u>	<u>449,971</u>
<i>Fund Cash Balances, January 1</i>	<u>3,248,194</u>	<u>597,376</u>	<u>0</u>	<u>3,845,570</u>
Fund Cash Balances, December 31				
Restricted		750,160		750,160
Assigned	1,095,396			1,095,396
Unassigned	2,449,985			2,449,985
<i>Fund Cash Balances, December 31</i>	<u>\$3,545,381</u>	<u>\$750,160</u>	<u>\$0</u>	<u>\$4,295,541</u>

See accompanying notes to the basic financial statements

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**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of New Russia 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 general government services, road and bridge maintenance, and cemetery maintenance. The Township contracts with the City of Oberlin and the Village of South Amherst for fire protection and is served by the Central Lorain County Ambulance District for ambulance services. Police protection is provided by the Lorain County Sheriff. The Township belongs to the Ohio Township Association Risk Management Authority public entity risk pool. Note 8 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

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. Investments in STAR Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on December 31, 2016.

D. 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:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for proceeds from specific sources (other than from private purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(CONTINUED)**

1. Summary of Significant Accounting Policies (Continued)

Motor Vehicle Tax Fund - This fund receives motor vehicle tax money to pay for constructing, maintaining, and repairing Township roads.

Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

OPWC Fund – The Township received a grant and a loan from the Ohio Public Works Commission for West Hamilton Road and Bridge Improvements. Initial grant/loan was made in 2015 with final loan payment in 2016.

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 fund accounts for a three percent Board of Building Standards fee that is remitted to the State of Ohio when collected. A financial statement was not presented since there was no fund balance or activity in 2016.

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and department level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also 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. A summary of 2016 budgetary activity appears in Note 3.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(CONTINUED)**

1. Summary of Significant Accounting Policies (Continued)

F. 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 The 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 the Trustees or a Township official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

G. Property, Plant, and Equipment

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

H. 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.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(CONTINUED)**

2. 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:

	2016
Demand deposits	\$297,528
Certificates of deposit	2,825,495
Other time deposits (savings and NOW accounts)	910,600
Total deposits	4,033,623
Investment - STAR Ohio	261,918
Total deposits and investments	\$4,295,541

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.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2016 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,085,287	\$1,263,420	\$178,133
Special Revenue	208,722	230,404	21,682
Capital Projects	8,886	8,886	0
Agency	1,000	0	(1,000)
Total	<u>\$1,303,895</u>	<u>\$1,502,710</u>	<u>\$198,815</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,108,000	\$966,233	\$1,141,767
Special Revenue	453,718	77,620	376,098
Capital Projects	8,886	8,886	0
Agency	1,000	0	1,000
Total	<u>\$2,571,604</u>	<u>\$1,052,739</u>	<u>\$1,518,865</u>

4. 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. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(CONTINUED)**

5. Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
2005 OWPC Loan CI06H	\$7,662	0%
2010 OPWC Loan CI02N	45,148	0%
2011 OPWC Loan CT19P	68,664	0%
2016 OPWC Loan CI17S	207,944	0%
Total	\$329,418	

All OPWC loans are being paid from General Fund revenues.

2005 OWPC Loan CI06H - 12 year loan for the East Hamilton Road Reconstruction in the amount of \$91,942. 2010 OPWC Loan CI02N - 30 Year Loan for the Butternut Ridge Road Improvement in the amount of \$53,115. 2011 OPWC Loan CT19P - 10 year loan for Garfield Road in the amount of \$114,441. 2016 OPWC Loan CI17S - 12 year loan for the West Hamilton Street Improvements in the amount of \$213,885.

Amortization

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

Year Ending	2005	2010	2011	2016
December 31	OPWC	OPWC	OPWC	OPWC
2017	\$ 7,662	\$ 1,771	\$ 11,444	\$ 11,883
2018		1,771	11,444	11,883
2019		1,771	11,444	11,883
2020		1,771	11,444	11,883
2021		1,771	11,444	11,883
2022-2026		8,853	11,444	59,415
2027-2031		8,853		59,415
2032-2036		8,853		29,699
2037-2042		9,734		
Total	\$ 7,662	\$ 45,148	\$ 68,664	\$ 207,944

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. 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.

Also, members of our Zoning Boards pay into Social Security for wages earned, employees contributed 6.2% of their gross salaries and the Township contributed an amount equaling 6.2% of participants' gross salaries.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(CONTINUED)**

7. Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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% during calendar year 2016.

8. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Risk Pool Membership

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), 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.

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.

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.

	2016
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 \$12,000.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(CONTINUED)**

8. Risk Management (Continued)

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

<u>Contributions to OTARMA</u>
<u>2016</u>
\$26,705

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.

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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*

New Russia Township
Lorain County
46300 Butternut Ridge Road
New Russia, Ohio 44074

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 New Russia Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 28, 2018 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Township's Response to Findings

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2018

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2017-001
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Material Weakness – Financial Reporting Adjustments

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

Governmental Accounting Standards Board (GASB) Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions introduced five fund balance classifications and clarified the existing governmental fund type definitions. **Statement 54** paragraph **15** also indicates when an appropriation measure is adopted for the subsequent year, if a portion of the existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. **Auditor of State Bulletin 2011-004** provides additional guidance on GASB Statement 54 as it relates to Ohio governments.

Homestead and rollback revenue received from the State of Ohio represent reimbursements for a reduction in property taxes. Since the revenue is from the State it should be recorded as an intergovernmental receipt.

We noted the following errors in financial reporting:

- In 2017 and 2016, the Township received homestead and rollback revenue from the State but the monies were recorded as property taxes instead of intergovernmental receipts. As a result, in 2017 property taxes were overstated in the General Fund and Special Revenue Fund – Road & Bridge Fund by \$3,317 and \$13,039, respectively, with a corresponding understatement to the intergovernmental receipts for the same amounts. In 2016, property taxes were overstated in the General Fund and Special Revenue Fund – Road & Bridge Fund by \$6,637 and \$26,073, respectively, with a corresponding understatement to the intergovernmental receipts for the same amounts.
- In 2017, a landfill royalty receipt totaling \$80,008 was recorded in the General Fund as miscellaneous revenue instead of license, permit, and fee revenue.
- As of December 31, 2017 and 2016, the ending fund balance in the General Fund was only reported as unassigned. However, in the subsequent years (2018 and 2017) the General Fund had appropriations that exceeded estimated resources each year and the excess was not reported as an assigned fund balance. As a result, the December 31, 2017 and 2016 General Fund’s assigned fund balance was understated and unassigned fund balance overstated by \$1,006,027 and \$1,088,515, respectively.

The accompanying financial statements and the Township’s accounting records reflect adjustments recording these amounts.

The Townships internal control structure did not detect these recording and reporting errors.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2017-001
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(Continued)

We recommend homestead and rollback revenue received from the State be recorded as an intergovernmental receipt. In addition, the Township should review the fund balance reporting requirements of GASB 54 and incorporate them in their financial statements.

Township's Response

We have reviewed the auditor's recommendation and will correct to the best of our ability in the future.

OHIO AUDITOR OF STATE
KEITH FABER



NEW RUSSIA 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
JANUARY 22, 2019**