



**ELYRIA TOWNSHIP
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ELYRIA TOWNSHIP
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Agency Fund - For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Agency Fund – For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

We have audited the accompanying financial statements of Elyria Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Elyria Township, Lorain County, Ohio, as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2000 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 grants.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

April 14, 2000

This page intentionally left blank.

ELYRIA TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1999

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
Cash receipts:				
Local taxes	87,385	223,257	0	310,642
Intergovernmental receipts	145,479	153,740	143,715	442,934
Charges for services	0	11,481	0	11,481
Licenses, permits, and fees	10,943	0	0	10,943
Earnings on investments	410	415	0	825
All other revenue	16,126	20,521	0	36,647
Total cash receipts	260,343	409,414	143,715	813,472
Cash disbursements:				
Current:				
General government	115,714	0	0	115,714
Public safety	63,980	109,863	0	173,843
Public works	4,804	163,800	0	168,604
Health	259	45,027	0	45,286
Miscellaneous	0	648	0	648
Debt Service:				
Redemption of principal	0	52,949	0	52,949
Interest and fiscal charges	0	9,282	0	9,282
Capital outlay	75	80,749	143,715	224,539
Total cash disbursements	184,832	462,318	143,715	790,865
Total cash receipts over/(under) cash disbursements	75,511	(52,904)	0	22,607
Other financing sources/(disbursements):				
Transfers-in	0	10,000	0	10,000
Transfers-out	(10,000)	0	0	(10,000)
Total other financing sources/(disbursements)	(10,000)	10,000	0	0
Excess of cash receipts and other financing sources over/(under) cash disbursements and other financing uses	65,511	(42,904)	0	22,607
Fund cash balances January 1, 1999	108,055	148,691	2,991	259,737
Fund cash balances, December 31, 1999	173,566	105,787	2,991	282,344

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

**ELYRIA TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN FUND CASH BALANCE - AGENCY FUND TYPE -
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Agency
Operating Receipts:	
Miscellaneous	3,525
Total Operating Receipts	3,525
Operating Disbursements:	
Other	3,525
Total Operating Disbursements	3,525
Operating Income/(Loss)	0
Net Income	0
Fund Balances, January 1	10,627
Fund Balances, December 31	\$10,627

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

ELYRIA TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1998

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
Cash receipts:				
Local taxes	97,680	248,787	0	346,467
Intergovernmental receipts	120,045	114,302	0	234,347
Charges for services	0	15,639	0	15,639
Licenses, permits, and fees	8,362	0	0	8,362
Earnings on investments	416	423	0	839
All other revenue	16,630	7,099	0	23,729
Total cash receipts	243,133	386,250	0	629,383
Cash disbursements:				
Current:				
General government	134,383	0	0	134,383
Public safety	57,307	75,250	0	132,557
Public works	16,405	169,334	0	185,739
Health	5,068	27,000	0	32,068
Miscellaneous	220	1,345	0	1,565
Debt Service:				
Redemption of principal	0	55,671	0	55,671
Interest and fiscal charges	0	5,466	0	5,466
Capital outlay	0	155,444	0	155,444
Total cash disbursements	213,383	489,510	0	702,893
Total cash receipts over/(under) cash disbursements	29,750	(103,260)	0	(73,510)
Other financing sources/(disbursements):				
Promissory note	0	154,780	0	154,780
Total other financing sources/(disbursements):	0	154,780	0	154,780
Excess of cash receipts and other financing sources over/(under) cash disbursements and other financing uses	29,750	51,520	0	81,270
Fund cash balances January 1, 1998	78,305	97,170	2,991	178,466
Fund cash balances, December 31, 1998	108,055	148,690	2,991	259,736
Reserve for encumbrances, December 31, 1998	812	172		984

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

**ELYRIA TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN FUND CASH BALANCE - AGENCY FUND TYPE -
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Agency
Operating Receipts:	
Miscellaneous	4,336
Total Operating Receipts	4,336
Operating Disbursements:	
Other	4,336
Total Operating Disbursements	4,336
Operating Income/(Loss)	0
Net Income	0
Fund Balances, January 1	10,627
Fund Balances, December 31	\$10,627

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

**ELYRIA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Elyria Township, Lorain County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from 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.

**ELYRIA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

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

Fire Levy Fund - This fund receives tax revenue and other intergovernmental revenue for maintaining and operating the Township fire department.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following Capital Project Fund:

Issue II Fund - The Township received a grant from the State of Ohio to improve and repair Murray Ridge Road.

Fiduciary Fund (Agency)

A fund for which the Township is acting in an agency capacity is classified as agency fund. The Township had the following Agency Fund:

Building Inspection Fund - This fund is used by the Township to record the building inspection fees for the State of Ohio.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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 1999 and 1998 budgetary activity appears in Note 3.

**ELYRIA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Unpaid Vacation Leave

Employees are entitled to cash payments for unused vacation leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave is not reflected as a liability under the basis of accounting used by the Township.

2. POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	276,085	254,302
STAR Ohio	16,886	16,061
Total deposits and investments	\$292,97	\$270,36
	<u>1</u>	<u>3</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investment 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, 1999 and December 31, 1998 was as follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$219,835	\$260,343	\$40,508
Special Revenue	411,334	419,414	8,080
Capital Projects	213,715	143,715	(70,000)
Agency	7,500	3,525	(3,975)
Total	<u>\$852,384</u>	<u>\$826,997</u>	<u>(\$25,387)</u>

**ELYRIA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$294,250	\$194,832	\$99,418
Special Revenue	556,802	462,318	94,484
Capital Projects	216,715	143,715	73,000
Agency	16,000	3,525	12,475
Total	\$1,083,767	\$804,390	\$279,377

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$262,074	\$243,133	(\$18,941)
Special Revenue	568,452	541,030	(27,422)
Capital Projects	84,500	0	(84,500)
Agency	8,500	4,336	(4,164)
Total	\$923,526	\$788,499	(\$135,027)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$292,885	\$214,195	\$78,690
Special Revenue	660,605	489,682	170,923
Capital Projects	87,600	0	87,600
Agency	16,600	4,336	12,264
Total	\$1,057,690	\$708,213	\$349,477

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to Lorain County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

**ELYRIA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX (Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property with Lorain County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Promissory Note	\$77,390	5.65%
Capital Lease	31,125	6.00%
Total	\$108,515	

The promissory note was issued to finance the refurbishing of a fire engine. The total for the note is \$173,363, with a maturity date of December 1, 2001. The capital lease is for a tractor/backhoe for use by the road department to maintain Township roads and ditches. The purchase was financed by a lease agreement with an option to purchase. The total of the lease is \$50,930, with a maturity date of June 19, 2002.

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

Year ending December 31:	Capital Lease	Promissory Notes
2000	16,976	43,068
2001	16,977	40,881
Total	\$33,953	\$83,949

6. RETIREMENT SYSTEMS

The Township's part-time Fire Fighters belong to the Social Security Retirement System. Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. Participants in the Social Security Retirement System contribute 7.65% of their gross salaries. The Township contributed an amount equal to 7.65% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

ELYRIA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Township also provides health insurance to full-time employees through participation in the Lorain County Health Plan and accident, sickness and disability coverage to qualified employees through a private carrier.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

We have audited the accompanying financial statements of Elyria Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated April 14, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-10625-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 14, 2000.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

April 14, 2000

**ELYRIA TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999**

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

Finding Number	1999-40847-001
-----------------------	-----------------------

Ohio Rev. Code Section 5705.41(D), states that “no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of the appropriate fund free from any previous encumbrance.”

Of the 36 disbursement transactions we reviewed for 1999, 58% were paid without the proper certification of revenue. Of the 24 disbursement transactions we reviewed for 1998, 50% were paid without the proper certification of revenue.

Also, the Township uses purchase orders in a manner similar to blanket certificates; however these purchase orders were often for more than one appropriation account and were continually amended throughout the year to accommodate new purchases.

The use of purchase orders and blanket certificates are a means of controlling expenditures. The primary purpose of the certificate is help ensure funds are available to fulfill the purchase commitment. Such broad use of purchase orders with no length of time, dollar restrictions or a specific purpose exposes the Township the risk of unauthorized expenditures, as well as increasing the possibility that encumbrances will be outstanding over long periods of time.

We recommend the Township use purchase orders and blanket certificates in the manner prescribed by the Ohio Revised Code.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

ELYRIA TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 30, 2000**