



Dave Yost • Auditor of State

ELYRIA TOWNSHIP
LORAIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

We have audited the accompanying financial statements and related notes of Elyria Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Elyria Township, Lorain County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1, the Township revised its financial statement presentation to follow the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Also, as discussed in Note 2 to the financial statements, the Township restated its General Fund and Agency Funds' fund balances for fund-type classification revisions. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 18, 2014

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$171,154	\$352,021		\$523,175
Charges for Services	89,124			89,124
Licenses, Permits and Fees	54,899			54,899
Intergovernmental	76,991	168,514	\$98,597	344,102
Special Assessments		9,478		9,478
Earnings on Investments	940	97	173	1,210
Miscellaneous	54,581	6,401		60,982
<i>Total Cash Receipts</i>	<u>447,689</u>	<u>536,511</u>	<u>98,770</u>	<u>1,082,970</u>
Cash Disbursements				
Current:				
General Government	277,595	214,486		492,081
Public Safety	126,285	11,905		138,190
Public Works	11,522	306,488		318,010
Health	10,003			10,003
Conservation-Recreation	10,889			10,889
Capital Outlay		46,215	3,820	50,035
<i>Total Cash Disbursements</i>	<u>436,294</u>	<u>579,094</u>	<u>3,820</u>	<u>1,019,208</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,395</u>	<u>(42,583)</u>	<u>94,950</u>	<u>63,762</u>
Other Financing Receipts (Disbursements)				
Transfers In		5,000		5,000
Transfers Out	(5,000)			(5,000)
Advances In	25,000	25,000		50,000
Advances Out	(25,000)	(25,000)		(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>	<u>5,000</u>		
<i>Net Change in Fund Cash Balances</i>	6,395	(37,583)	94,950	63,762
<i>Fund Cash Balances, January 1</i>	<u>367,281</u>	<u>317,561</u>	<u>98,017</u>	<u>782,859</u>
Fund Cash Balances, December 31				
Restricted		279,978	192,967	472,945
Assigned	1,111			1,111
Unassigned	372,565			372,565
<i>Fund Cash Balances, December 31</i>	<u>\$373,676</u>	<u>\$279,978</u>	<u>\$192,967</u>	<u>\$846,621</u>

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

ELYRIA TOWNSHIP
LORAIN COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Agency</u>
Operating Cash Receipts	
Licenses, Permits and Fees	\$182
Operating Cash Disbursements	
Purchased Services	<u>33</u>
<i>Net Change in Fund Cash Balances</i>	149
<i>Fund Cash Balances, January 1</i>	<u>521</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$670</u></u>

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$178,633	\$301,200		\$479,833
Charges for Services	57,814			57,814
Licenses, Permits and Fees	30,636			30,636
Intergovernmental	90,273	162,093	\$159,159	411,525
Special Assessments		10,649		10,649
Earnings on Investments	364	54	89	507
Miscellaneous	42,028	21,109		63,137
<i>Total Cash Receipts</i>	<u>399,748</u>	<u>495,105</u>	<u>159,248</u>	<u>1,054,101</u>
Cash Disbursements				
Current:				
General Government	272,234	208,672		480,906
Public Safety	40,414	14,580		54,994
Public Works	14,645	223,975		238,620
Health	9,891			9,891
Conservation-Recreation	32,822			32,822
Capital Outlay	60,292	103,706	333,076	497,074
Debt Service:				
Principal Retirement	44,756	6,964		51,720
Interest and Fiscal Charges	3,770			3,770
<i>Total Cash Disbursements</i>	<u>478,824</u>	<u>557,897</u>	<u>333,076</u>	<u>1,369,797</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(79,076)</u>	<u>(62,792)</u>	<u>(173,828)</u>	<u>(315,696)</u>
Other Financing Receipts (Disbursements)				
Transfers In		260		260
Transfers Out	(260)			(260)
Advances In	52,000	52,000		104,000
Advances Out	(52,000)	(52,000)		(104,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(260)</u>	<u>260</u>		
<i>Net Change in Fund Cash Balances</i>	<u>(79,336)</u>	<u>(62,532)</u>	<u>(173,828)</u>	<u>(315,696)</u>
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>446,617</u>	<u>380,093</u>	<u>271,845</u>	<u>1,098,555</u>
Fund Cash Balances, December 31				
Restricted		317,561	98,017	415,578
Unassigned	367,281			367,281
<i>Fund Cash Balances, December 31</i>	<u>\$367,281</u>	<u>\$317,561</u>	<u>\$98,017</u>	<u>\$782,859</u>

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

ELYRIA TOWNSHIP
LORAIN COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Agency</u>
Operating Cash Receipts	
Licenses, Permits and Fees	\$74
Operating Cash Disbursements	
Purchased Services	<u>74</u>
<i>Net Change in Fund Cash Balances</i>	
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>521</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$521</u></u>

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 the Elyria Township, Lorain County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. Police protection is provided by the Lorain County Sheriff. The Township contracts with Medicount, Inc., to provide ambulance services.

The Township participates in two jointly governed organizations, one joint ventures and one public entity risk pool. Notes 7, 8, and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority

Joint Venture:

City of Elyria Joint Economic Development District (JEDD)

Jointly Governed Organizations:

Lorain County General Health District

Northeast Ohio Areawide Coordinating Agency

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

B. Accounting Basis

During the 2011 and 2010, the Township followed the cash basis of accounting. However, its financial statement presentation format and disclosures conformed to generally accepted accounting principles applicable to the cash accounting basis.

For 2013 and 2012, the Township revised its 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.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (continued)

C. Deposits and Investments

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

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Fire Levy Fund - This fund receives property tax levy money to pay for expenditures relating to Fire Protection.

3. Capital Project Funds

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

JEDD Misc. Capital Projects – a fund which receives revenues from the City of Elyria Joint Economic Development District (JEDD) for Capital Projects.

4. Agency Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for the State's portion of building and permit fees.

ELYRIA TOWNSHIP
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 4.

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:

1. Nonspendable

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

2. Restricted

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

ELYRIA TOWNSHIP
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

F. **Fund Balance (continued)**

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

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.

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Fund-Type Reclassification

The JEDD fund, which was previously reported as an agency fund, was reclassified as part of the General Fund. These revisions had the following effect on fund balances previously reported:

	<u>General Fund</u>	<u>Agency Fund</u>
Fund Cash Balance, December 31, 2011	\$319,477	\$127,661
JEDD Fund Reclassification	127,140	(127,140)
Fund Cash Balance, January 1, 2012	<u>\$446,617</u>	<u>\$521</u>

3. Equity in Pooled Deposits and Investments

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$632,047	\$569,060
Certificates of deposit	150,899	150,000
Total deposits	<u>782,946</u>	<u>719,060</u>
STAR Ohio	64,345	64,320
Total deposits and investments	<u>\$847,291</u>	<u>\$783,380</u>

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

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

4. Budgetary Activity

Budgetary activity for the years ended December 31, follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$379,298	\$447,689	\$68,391
Special Revenue	600,129	541,511	(58,618)
Capital Projects	0	98,770	98,770
Agency Fund	500	182	(318)
Total	<u>\$979,927</u>	<u>\$1,088,152</u>	<u>\$108,225</u>

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$566,112	\$442,405	\$123,707
Special Revenue	688,520	583,691	104,829
Capital Projects	90,000	3,820	86,180
Agency	500	33	467
Total	<u>\$1,345,133</u>	<u>\$1,029,949</u>	<u>\$315,184</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$457,792	\$399,748	(\$58,044)
Special Revenue	503,866	495,365	(8,501)
Capital Projects	69,373	159,248	89,875
Agency	500	74	(426)
Total	<u>\$1,031,530</u>	<u>\$1,054,435</u>	<u>\$22,905</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$748,163	\$479,084	\$269,079
Special Revenue	958,699	559,592	399,107
Capital Projects	318,803	333,076	(14,273)
Agency	500	74	426
Total	<u>\$2,026,165</u>	<u>\$1,371,826</u>	<u>\$654,339</u>

5. Property Tax

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

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

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	<u>8,486,363</u>	<u>9,355,082</u>
Net Position	<u>\$26,467,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$13,362.

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

Contributions to OTARMA

	<u>2013</u>	<u>2012</u>
	\$24,293	\$17,384

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

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Joint Venture

The Township participates in the Elyria Township – City of Elyria Joint Economic Development District (JEDD) which is created in accordance with sections 715.72 through 715.83 of the Ohio Revised Code. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Township and the City. The City and the Township shall work together to provide or cause to be provided, water, sewer, storm sewer, street lighting, roads, sidewalks and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of five members, the Township appoints two; one representing the Township and one representing the business owners in the JEDD, the City appoints two; one representing the City and one representing persons working within the JEDD, the fifth member shall serve as chairman and shall be elected by the other four members.

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

9. Jointly Governed Organizations

A. Lorain County General Health District

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

B. Northeast Ohio Areawide Coordinating Agency

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

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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*

Elyria Township
Lorain County
41416 Griswold Road
Elyria, Ohio 44035

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Elyria Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 18, 2014, wherein we noted the Township revised its financial statement presentation to follow financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03 permit, and restated its General Fund and Agency Funds' fund cash balances.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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. We consider finding 2013-001 described in the accompanying schedule of findings 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-002.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

July 18, 2014

**ELYRIA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number 2013-001

Material Weakness – Fund Type Classification:

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

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

The Township recorded \$72,550 and \$55,592 for JEDD receipts in 2013 and 2012, respectively in an agency fund. Since the receipts are not held on-behalf-of any outside entity or individual, it is not appropriate to classify JEDD receipts in an agency fund. The receipts are unrestricted revenue and should be recorded in the General Fund. The financial statements were adjusted to properly reflect the JEDD fund's activity in the General Fund.

In addition, the following financial statement errors were noted:

- In 2013, JEDD receipts of \$17,229 were classified as Miscellaneous Receipts in the General Fund;
- In 2013, Miscellaneous Receipts of \$2,163 was classified as Other Financing Uses in the General Fund;
- In 2012, Commercial Activity Tax (CAT) of \$23,633 was recorded in the General Fund, which should have been recorded in the Special Revenue Funds; and
- In 2012, no debt principal or interest payments were recorded, although debt was retired. In the Special Revenue Funds, \$6,964 of public works expense should have been recorded as principal disbursements. In the General Fund, \$20,000 of capital outlay disbursements and \$8,526 of other disbursements should have been recorded as \$24,756 of principal disbursements and \$3,770 of interest disbursements.

The financial statements and Township's accounting records were adjusted for these items.

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

Officials' Response: The Township acknowledges the finding and will take appropriate corrective actions.

Finding Number 2013-002

Noncompliance Finding - Expenditure Certification:

Ohio Rev. Code § 5705.41(D) provides no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Finding Number 2013-002 (Continued)

Expenditures were not certified prior to incurring the obligation, in 46 percent (12 out of 26) transactions tested, and none of the above exceptions was noted. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure purchase commitments do not exceed the budgetary spending limitations of the Township.

The Township should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Township should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. For situations where a purchase order cannot be obtained prior to incurring an invoice, the Township should utilize "then and now certificates," certifying the Township had adequate funds at the time of the commitment and for the current payment.

Officials' Response: The Township acknowledges the finding and will take appropriate corrective actions.

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ELYRIA TOWNSHIP
LORAIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Financial statement posting adjustments, resulting in audit adjustments, was noted to be a material weakness.	No	Repeated as finding 2013-001

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Dave Yost • Auditor of State

ELYRIA TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2014**