



OHIO AUDITOR OF STATE
KEITH FABER



**ROCHESTER TOWNSHIP
LORAIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2019.....	3
Note to the Financial Statements – For the Year Ended December 31, 2019	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2018.....	9
Notes to the Financial Statements – For the Year Ended December 31, 2018	10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Prepared by Management:	
Summary Schedule of Prior Audit Findings	20

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Rochester Township
Lorain County
52185 Griggs Road
Wellington, Ohio 44090

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 Rochester Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2019 and 2018, 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 Rochester Township, Lorain County as of December 31, 2019 and 2018, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

April 1, 2021

Rochester Township
Lorain County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 18,352	\$ 76,361	\$ 94,713
Charges for Services	95	-	95
Licenses, Permits and Fees	6,091	1,550	7,641
Intergovernmental	26,687	121,195	147,882
Miscellaneous	942	3,958	4,900
<i>Total Cash Receipts</i>	<u>52,167</u>	<u>203,064</u>	<u>255,231</u>
Cash Disbursements			
Current:			
General Government	64,757	-	64,757
Public Safety	-	26,150	26,150
Public Works	-	94,772	94,772
Health	1,000	3,443	4,443
Capital Outlay	-	27,476	27,476
<i>Total Cash Disbursements</i>	<u>65,757</u>	<u>151,841</u>	<u>217,598</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,590)</u>	<u>51,223</u>	<u>37,633</u>
Other Financing Receipts			
Other Financing Sources	-	6,500	6,500
<i>Net Change in Fund Cash Balances</i>	(13,590)	57,723	44,133
<i>Fund Cash Balances, January 1</i>	<u>370</u>	<u>240,717</u>	<u>241,087</u>
Fund Cash Balances, December 31			
Restricted	-	298,440	298,440
Unassigned (Deficit)	<u>(13,220)</u>	<u>-</u>	<u>(13,220)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (13,220)</u>	<u>\$ 298,440</u>	<u>\$ 285,220</u>

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

Rochester Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Rochester Township, Lorain County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the South Lorain County Ambulance Service to provide ambulance services. The Township has a Volunteer Fire Department.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 7 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Road and Bridge Fund This fund receives property tax money for costs involved in constructing, maintaining and repairing roads and bridges within the Township.

Special Levy Fund – Fire Department Fund The Fire Department fund is funded by a 2.0 mill levy.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when

Rochester Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 4.

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 did not own any investments as assets in 2019.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also

Rochester Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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

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

Note 3 – Compliance

Contrary to Ohio law, the General Fund had a negative fund balance at December 31, 2019. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used only for purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,841	\$52,167	(\$21,674)
Special Revenue	170,305	209,564	39,259
Total	\$244,146	\$261,731	\$17,585

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,000	\$65,757	\$6,243
Special Revenue	234,000	151,841	82,159
Total	\$306,000	\$217,598	\$88,402

Rochester Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Township's deposit accounts are as follows:

	<u>2019</u>
Cash Management Pool:	
Demand Deposits	<u>\$285,220</u>
Total Deposits	<u>\$285,220</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Property Taxes

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

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

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

Risk Pool Membership

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 covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property

Rochester Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

-Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Five 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, 2019.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Rochester Township
Lorain County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 16,861	\$ 71,785	\$ 88,646
Licenses, Permits and Fees	5,493	2,076	7,569
Intergovernmental	26,920	105,533	132,453
Miscellaneous	6,180	19,800	25,980
<i>Total Cash Receipts</i>	<u>55,454</u>	<u>199,194</u>	<u>254,648</u>
Cash Disbursements			
Current:			
General Government	74,108	-	74,108
Public Safety	19	20,415	20,434
Public Works	-	84,384	84,384
Health	1,300	1,419	2,719
Other	-	1,450	1,450
<i>Total Cash Disbursements</i>	<u>75,427</u>	<u>107,668</u>	<u>183,095</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,973)</u>	<u>91,526</u>	<u>71,553</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	62	-	62
<i>Net Change in Fund Cash Balances</i>	(19,911)	91,526	71,615
<i>Fund Cash Balances, January 1</i>	<u>20,281</u>	<u>149,191</u>	<u>169,472</u>
Fund Cash Balances, December 31			
Restricted	-	240,717	240,717
Unassigned (Deficit)	370	-	370
<i>Fund Cash Balances, December 31</i>	<u>\$ 370</u>	<u>\$ 240,717</u>	<u>\$ 241,087</u>

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

Rochester Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Rochester Township, Lorain County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the South Lorain County Ambulance Service to provide ambulance services. The Township has a Volunteer Fire Department.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 6 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Road and Bridge Fund This fund receives property tax money for costs involved in constructing, maintaining and repairing roads and bridges within the Township.

Special Levy Fund – Fire Department Fund The Fire Department fund is funded by a 2.0 mill levy.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when

Rochester Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

The Township did not own any investments as assets in 2018.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also

Rochester Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,079	\$55,516	\$1,437
Special Revenue	172,312	199,194	26,882
Total	\$226,391	\$254,710	\$28,319

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$76,053	\$75,427	\$626
Special Revenue	173,447	107,668	65,779
Total	\$249,500	\$183,095	\$66,405

Note 4 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Township's deposit accounts are as follows:

	<u>2018</u>
Cash Management Pool:	
Demand Deposits	<u>\$241,087</u>
Total Deposits	<u>\$241,087</u>

Rochester Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Property Taxes

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

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

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material

Risk Pool Membership

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 covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Rochester Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Five 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, 2018.

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Rochester Township
Lorain County
52185 Griggs Road
Wellington, Ohio 44090

To the Township 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 Rochester Township, Lorain County, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated April 1, 2021, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03(D).

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 through 2019-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 and 2019-002.

Township's Responses to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

April 1, 2021

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

1. Negative Fund Balance

FINDING NUMBER 2019-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.10-(I) provides that money paid into a fund must be used only for purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2019, the Township's General Fund had a negative fund balance of (\$13,220).

During 2018, the Township improperly charged General Fund expenditures to the Gasoline Fund. Additionally, in 2018 and 2019 Special Revenue Fund receipts were improperly posted to the General Fund. Because of these errors in posting, the General Fund appeared to report a much larger balance than it actually had.

We recommend the Township monitor fund balances as well as financial activity and take corrective action, when necessary, to correct any errors in posting receipts and expenditures that would lead to financial statement reporting weaknesses.

Official's Response: The Township will strive to improve the necessary steps to ensure that all receipts, disbursements and fund balances are properly presented and disclosed in the Township's financial statement.

2. Trustees Compensation

FINDING NUMBER 2019-002

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 505.24(C) provides Townships with the ability to compensate Township Trustees by one of two methods. The per diem method requires that the Board of Township Trustees pass a resolution creating a method by which each member of the Board shall periodically notify the Township Fiscal Officer of the number of days spent in the service of the Township and the kinds of services rendered on those days. The Township, then, shall pay the Trustee compensation from the Township General Fund or from other Township funds in such proportions as the kinds of services performed may require. The second method of compensation allows the Township, by unanimous vote, to pay the Township Trustees an annual salary that may not exceed the maximum amount detailed by law. This annual salary is paid in equal monthly installments, and may be paid from the Township General Fund or from other Township funds in such proportions as the Board may specify by resolution. Where a Township seeks to compensate from funds other than the General Fund, however, the Township must be able to demonstrate that the expenditures from the fund are consistent with the purpose of the fund and in proportion to the amount of time spent in the service of such fund.

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(CONTINUED)**

2. Trustees Compensation (Continued)

FINDING NUMBER 2019-002 (Continued)

The Township passed a resolution at the beginning of each fiscal year, based on guidance from a prior audit, stating the Township Trustees may be paid out of the General Fund and the Road and Bridge Fund. In 2018, the Township paid the Trustees \$12,986 from the Gas Tax Fund without having appropriate supporting documentation or certifications.

Each Township Trustee that is compensated from funds other than the General Fund must complete a certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the Trustee spent during that pay period providing services related to each fund to be charged. Without the required support, the expenditures are not considered allowable and fund balances were adjusted to reclassify \$12,986 Gas Tax Fund expenditures to the General Fund.

This put the Township in an adverse situation with potential budgetary violations and caused a depleted General Fund balance.

The Township management should ensure they maintain supporting documentation that demonstrates the expenditures from the fund are consistent with the purpose of the fund and in proportion to the amount of time spent in the service of such fund. Documentation should consist of a certification detailing the percentage of time that the Trustee spent during that pay period providing services related to each fund to be charged.

Official's Response: The Township is in agreement with this finding. These errors were made in year 2018 and were not repeated in the year 2019. The fiscal officer will continue to strive in maintaining accurate postings to the proper funds.

3. Accounting and Financial Reporting

FINDING NUMBER 2019-003

MATERIAL WEAKNESS

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

The following significant weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the Township's accounting records:

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(CONTINUED)**

3. Accounting and Financial Reporting (Continued)

FINDING NUMBER 2019-003 (Continued)

2018:

- General Fund property taxes and tax collection fees were overstated by \$2,433.
- Special Revenue property taxes and tax collection fees were overstated by \$10,109.
- General Fund homestead and rollback was overstated by \$3,846 and posted to the incorrect revenue account line.
- \$10,280 in Special Revenue homestead and rollback and motor vehicle tax were incorrectly posted to various revenue account lines in the General Fund, resulting in an understatement of cash fund balance in the Special Revenue funds and overstatement in the General Fund.
- \$5,608 in the County's Local Government Distribution was posted the wrong General Fund intergovernmental revenue account line.

2019:

- General Fund property taxes were overstated by \$4,813.
- Special Revenue property taxes were overstated by \$22,937, of which \$4,384 resulted in an overstatement of cash fund balance in the Special Revenue funds and understatement in the General Fund.
- General Fund homestead and rollback was overstated by \$3,949 and posted to the incorrect revenue account line.
- \$10,525 in Special Revenue homestead and rollback and motor vehicle tax were incorrectly posted to various revenue account lines in the General Fund, resulting in an understatement of cash fund balance in the Special Revenue funds and overstatement in the General Fund.
- General Fund tax collection fees were overstated by \$2,621.
- Special Revenue tax collection fees were overstated by \$10,525.
- \$5,608 in the County's Local Government Distribution was posted the wrong General Fund intergovernmental revenue account line.
- \$8,028 in Gas Tax was incorrectly posted to Special Revenue property taxes.

The Township indicated these weaknesses were oversights. Failure to accurately classify and report financial transactions diminishes the reliability of the financial data at year-end which the Township makes management decisions on to govern the Township.

We recommend the Township ensure recording of financial transactions reporting to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial data throughout the year.

Official's Response: The Township will strive to implement control to help ensure all transactions are reviewed to ensure posting to the proper fund.

ROCHESTER TOWNSHIP



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Fiscal Officer; Laura Brady
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ROCHESTER TOWNSHIP LORAIN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Township Trustees that were compensated from funds other than the General Fund, did not complete a certification prior to receiving his/her pay for that pay period	Not Corrected until FY2019	Reissued as Funding 2019-002
2017-002	Township receipts and related disbursements were not posted to accurate classifications based on the source of the receipt	Not Corrected	Reissued as Funding 2019-003

OHIO AUDITOR OF STATE KEITH FABER



ROCHESTER TOWNSHIP

LORAIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/25/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov