



Dave Yost • Auditor of State

**LEROY TOWNSHIP
LAKE COUNTY**

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Dave Yost • Auditor of State

Leroy Township
Lake County
5920 Paine Road
Leroy Township, Ohio 44077

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

October 7, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Leroy Township
Lake County
5920 Paine Road
Leroy Township, Ohio 44077

To the Board of Trustees:

We have audited the accompanying financial statements of Leroy Township, Lake County, (the Township) as of and for the years ended December 31, 2010 and 2009. 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 audit.

Except as described in paragraph three, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

The Township did not maintain sufficient documentation to support the amount recorded as miscellaneous receipts for 2009.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effect, if any, of adjustments to the financial statement amounts that may be required for the 2009 miscellaneous receipts described above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Leroy Township, Lake County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

October 7, 2011

**LEROY TOWNSHIP
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$139,225	\$697,074	\$0	\$0	\$836,299
Charges for Services	0	46,104	0	0	46,104
Licenses, Permits, and Fees	20,082	0	0	0	20,082
Fines and Forfeitures	25	0	0	0	25
Intergovernmental	112,058	223,506	0	50,000	385,564
Earnings on Investments	150	44	0	0	194
Miscellaneous	46,240	8,655	0	0	54,895
Total Cash Receipts	317,780	975,383	0	50,000	1,343,163
Cash Disbursements:					
Current:					
General Government	219,300	4,974	0	0	224,274
Public Safety	0	426,451	0	0	426,451
Public Works	25,311	406,865	0	0	432,176
Health	58,868	0	0	0	58,868
Human Services	43,859	0	0	0	43,859
Conservation - Recreation	2,127	0	0	0	2,127
Contract Services	450	2,500	0	0	2,950
Supplies and Materials	445	62,967	0	0	63,412
Miscellaneous	0	7,728	0	0	7,728
Capital Outlay	6,164	16	0	44,629	50,809
Debt Service:					
Redemption of Principal	0	0	29,811	0	29,811
Interest and Other Fiscal Charges	0	0	3,100	0	3,100
Total Cash Disbursements	356,524	911,501	32,911	44,629	1,345,565
Total Receipts Over/(Under) Disbursements	(38,744)	63,882	(32,911)	5,371	(2,402)
Other Financing Receipts / (Disbursements):					
Proceeds of Notes	0	90,308	0	0	90,308
Transfers-In	0	0	32,911	0	32,911
Transfers-Out	0	(32,911)	0	0	(32,911)
Other Financing Sources	1,902	907	0	0	2,809
Total Other Financing Receipts / (Disbursements)	1,902	58,304	32,911	0	93,117
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(36,842)	122,186	0	5,371	90,715
Fund Cash Balances, January 1, 2010	151,576	427,344	(55,180)	44,526	568,266
Fund Cash Balances, December 31, 2010	\$114,734	\$549,530	(\$55,180)	\$49,897	\$658,981
Reserve for Encumbrances, December 31, 2010	\$2,000	\$4,961	\$0	\$5,371	\$12,332

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

**LEROY TOWNSHIP
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$152,982	\$708,694	\$0	\$0	\$861,676
Charges for Services	0	44,794	0	0	44,794
Licenses, Permits, and Fees	24,065	0	0	0	24,065
Fines and Forfeitures	28	0	0	0	28
Intergovernmental	150,655	227,851	0	61,744	440,250
Earnings on Investments	276	105	0	0	381
Miscellaneous	46,944	3,828	0	0	50,772
Total Cash Receipts	374,950	985,272	0	61,744	1,421,966
Cash Disbursements:					
Current:					
General Government	225,269	5,223	0	0	230,492
Public Safety	0	454,189	0	0	454,189
Public Works	19,856	294,732	0	51,301	365,889
Health	58,685	0	0	0	58,685
Human Services	42,671	0	0	0	42,671
Conservation - Recreation	1,800	0	0	0	1,800
Supplies and Materials	170	56,676	0	0	56,846
Capital Outlay	3,696	1,921	0	0	5,617
Debt Service:					
Redemption of Principal	0	0	50,948	0	50,948
Interest and Other Fiscal Charges	0	0	4,232	0	4,232
Total Cash Disbursements	352,147	812,741	55,180	51,301	1,271,369
Total Receipts Over/(Under) Disbursements	22,803	172,531	(55,180)	10,443	150,597
Other Financing Receipts / (Disbursements):					
Transfers-In	0	3,252	0	0	3,252
Transfers-Out	(3,252)	0	0	0	(3,252)
Other Financing Sources	2,295	1,258	0	0	3,553
Total Other Financing Receipts / (Disbursements)	(957)	4,510	0	0	3,553
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	21,846	177,041	(55,180)	10,443	154,150
Fund Cash Balances, January 1, 2009	129,730	250,303	0	34,083	414,116
Fund Cash Balances, December 31, 2009	\$151,576	\$427,344	(\$55,180)	\$44,526	\$568,266
Reserve for Encumbrances, December 31, 2009	\$2,400	\$9,000	\$0	\$0	\$11,400

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

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND DECEMBER 31, 2009**

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 Leroy Township, Lake 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. The Lake County Sheriff's department provides security of persons and property for the Township.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

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

2. Special Revenue Funds

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

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

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND DECEMBER 31, 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Department Fund – This fund receives property tax money to provide fire protection services.

3. Debt Service Fund

This fund accounts for resources the Township accumulates to pay bond and note debt. This fund receives transfers for the retirement of note debt on capital equipment purchases.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project funds:

Issue II Fund - The Township received a grant from the State of Ohio for various road projects.

NOPEC Energy Fund - The Township received a grant from NOPEC for energy conservation improvements to the Township facilities.

E. Budgetary Process

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

1. 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. The County Budget Commission must also approve the annual appropriation measure. 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 also 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.

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND DECEMBER 31, 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Investments

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

	<u>2009</u>	<u>2010</u>
Demand deposits	<u>\$568,266</u>	<u>\$658,981</u>
Total deposits	<u><u>\$568,266</u></u>	<u><u>\$658,981</u></u>

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and December 31, 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$337,291	\$319,682	(\$17,609)
Special Revenue	1,034,238	1,066,598	32,360
Debt Service	32,911	32,911	0
Capital Projects	60,000	50,000	(10,000)
Total	<u><u>\$1,464,440</u></u>	<u><u>\$1,469,191</u></u>	<u><u>\$4,751</u></u>

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND DECEMBER 31, 2009
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$399,430	\$358,524	\$40,906
Special Revenue	1,141,948	949,373	192,575
Debt Service	32,911	32,911	0
Capital Projects	83,153	50,000	33,153
Total	\$1,657,442	\$1,390,808	\$266,634

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$360,346	\$377,245	\$16,899
Special Revenue	952,375	989,782	37,407
Debt Service	55,180	0	(55,180)
Capital Projects	218,285	61,744	(156,541)
Total	\$1,586,186	\$1,428,771	(\$157,415)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$393,365	\$357,799	\$35,566
Special Revenue	1,033,435	821,741	211,694
Debt Service	55,180	55,180	0
Capital Projects	61,744	51,301	10,443
Total	\$1,543,724	\$1,286,021	\$257,703

As of December 31, 2010 and 2009, the Township's Debt Service Fund had a negative fund balance in the amount of \$55,180 which is in violation of Ohio Revised Code Section 5705.10(H).

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND DECEMBER 31, 2009
(Continued)**

4. Property Tax

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

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

Tangible personal property assessments have been phased out.

The 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, 2010 was as follows:

	Principal	Interest Rate
2006 Road Equipment Note	\$24,881	5.02%
2010 Equipment Note	72,034	3.27%
Total	\$96,915	

The 2006 Road Equipment Note was used to purchase a Mack Truck and is a seven year note.

The 2010 Equipment Note was used to finance the purchase of a Tractor and is a five year note.

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

	2010 Equipment Note	2006 Road Equipment Note	Total
Year ending December 31:			
2011	\$19,504	\$13,406	\$32,910
2012	19,504	13,406	32,910
2013	19,504		19,504
2014	19,504		19,504
Total	\$78,016	\$26,812	\$104,828

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND DECEMBER 31, 2009
(Continued)**

6. Retirement Systems

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2010 and 2009, 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, 2010.

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 Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND DECEMBER 31, 2009
(Continued)**

7. Risk Management (Continued)

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$20,000.

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

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$22,076	\$19,493

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.

8. Related Party Transactions

Richard Van Pelt, Jr., is the son of Township Trustee Richard Van Pelt, Sr. Richard Van Pelt, Jr. works on the Township's roads, parks, and cemetery and was paid \$63,974 in 2010 and \$60,842 in 2009. These amounts include overtime in all three departments.

Jason Rodgers, is the son of Fiscal Officer Sharon Rodgers. Jason Rodgers works on the Township's roads, parks, and cemetery and was paid \$44,919 in 2010 and \$44,775 in 2009. These amounts include overtime in all three departments.

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Dave Yost • Auditor of State

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

Leroy Township
Lake County
5920 Paine Road
Leroy Township, Ohio 44077

To the Board of Trustees:

We have audited the financial statements of Leroy Township, Lake County, (the Township) as of and for the years ended December 31, 2010 and December 31, 2009, and have issued our report thereon dated October 7, 2011, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and noted there was insufficient evidence to support miscellaneous receipts for 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-002 and 2010-005 described in the accompanying schedule of findings 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 determination of financial statement amounts. However, providing an opinion 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 is described in the accompanying schedule of findings as items 2010-001, 2010-003, and 2010-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 7, 2011.

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.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

October 7, 2011

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND DECEMBER 31, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Timely Depositing – Material Noncompliance

Ohio Revised Code Section 9.38 provides that any public official and/or employee who receives public monies shall deposit said monies with the Treasurer or with a properly designated depository on the next business day following the day of receipt, if the total amount received exceeds one thousand dollars. If the total amount of public money received does not exceed one thousand dollars, the person shall deposit the moneys on the next business day following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.

During our testing of Miscellaneous Receipts, which was mostly comprised of baseball registration receipts, we noted adequate support was not maintained to determine if the 2010 and 2009 Miscellaneous Receipts were timely deposited. Failure to deposit public money in a timely manner and maintain adequate supporting documentation increases the Township's exposure to theft and loss.

We recommend the Township maintain adequate supporting documentation for all receipts which should include creating prenumbered dated receipts for all monies received and documenting fees charged to participants. We also recommend the Township ensure baseball registration monies collected are deposited with the Fiscal Officer or its local depository on the next business day following the day of receipt, or the Township should adopt a policy permitting a different timeline for deposits under the guidelines established above. Additionally, the policy must include procedures to safeguard the monies until the time of deposit.

OFFICIAL'S RESPONSE

The Township will start documenting all receipts in the receipt book and deposit within appropriate time period.

FINDING NUMBER 2010-002

Processing Payroll – Material Weakness

When administering the Township's operations over payroll disbursements, it is the responsibility of management to provide reasonable assurance that the Township's payroll internal control structure is in place and operating as designed. The payroll internal control structure is designed to ensure the information reported to management, the Trustees, and outside users is accurate and complete.

During our review of payroll disbursements, we noted the following:

- Timesheets were incomplete, incorrect, or difficult to interpret if proper approval was made by the department head;
- Errors in calculation of regular and overtime pay which resulted in underpayments of payroll;
- Incorrect deductions of leave balances; and
- Disbursements charged to the wrong fund.

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-002 (Continued)

Processing Payroll – Material Weakness (Continued)

Although most errors that were discovered during our review of payroll disbursements were previously identified and corrected by the Fiscal Officer, we noted the following uncorrected errors:

- Richard Van Pelt Jr. was underpaid 5 hours of cemetery straight pay for pay period July 24, 2009 totaling \$108.75.
- Jason Rodgers was underpaid 0.45 hours of road department overtime pay for pay period ending October 15, 2010 and 2 hours of road department straight pay for pay period ending November 11, 2010 totaling \$44.81.
- Robert Green was underpaid 0.5 hours of firefighter overtime duty pay for pay period November 27, 2009 and 3.5 hours of firefighter duty straight pay for pay period June 11, 2010 totaling \$64.60.

Failure to have sound internal controls over payroll disbursements may result in errors going undetected and result in increased expenditures for Township and the issuance of a finding for recovery for any overpayments that are made.

We recommend the Township review its current internal controls over payroll disbursements and implement improvements to minimize the number of errors in the future. These improvements include having department heads thoroughly review timesheets before signing off, redesigning timesheets that are easier to follow and include columns for leave usage, training the Township's employees on the proper way of filling out timesheets, and having an additional employee of the Township review payroll disbursements before being made.

OFFICIAL'S RESPONSE

The Township will revise its timesheets to include columns for sick, vacation, and holiday pay. Also, employees will be trained again on proper documentation of hours worked.

FINDING NUMBER 2010-003

Transfers – Material Noncompliance

Ohio Revised Code Sections 5705.05-.06, 5705.14, 5705.15, and 5705.16 states, no transfer can be made from one fund of a subdivision to any other fund, except as follows:

- The unexpended balance in a bond fund [i.e. a capital project fund financed with bond proceeds that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.]

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-003 (Continued)

Transfers – Material Noncompliance (Continued)

- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.
- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
- The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- Money may be transferred from the general fund to any other fund of the subdivision.

Based on our testing, we noted the Township transferred monies from the following funds in contradiction of the above Ohio Revised Code Sections:

- In 2009, the Township transferred \$13,407 from the Road Department Special Revenue Fund and \$41,773 from the Fire Department Special Revenue Fund to the Debt Service Fund. These transfers were made without the formal approval of the Board of Trustees. These transfers are not permissible under the above-referenced Code sections.

All transfers must comply with the above-referenced provisions. Additionally, lack of formal Board approval may result in the improper use of Township funds. The audited statements reflect adjustments for the matter described above. Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Financial reports and revenue and expense ledgers should be reviewed to ensure they accurately reflect the financial activity of the Township.

We recommend the Board of Trustees review transfers prior to approval to ensure they conform to the Revised Code sections above.

OFFICIAL'S RESPONSE

In 2010, the Township started approving all transfers.

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-004

Negative Fund Balances – Material Noncompliance

Ohio Revised Code Section 5705.10(H) states money paid into any fund shall be used only for the purposes for which the fund is established.

During our testing we noted the Township's Debt Service Fund had a negative fund balance of \$55,180 at the end of fiscal year 2010 and 2009. We noted this negative fund balance was caused by illegal transfers to the Township's Debt Service Fund in 2009 as noted in finding 2010-003 above.

We recommend the Township utilize Board approved interfund transfers or other appropriate measures to ensure that negative cash fund balances do not exist throughout the year.

OFFICIAL'S RESPONSE

In 2011, the Board of Trustees will approve a transfer to correct this matter.

FINDING NUMBER 2010-005

Records of Miscellaneous Receipts – Material Weakness

All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Ohio Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under section 149.33 of the Ohio Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully, transferred, or destroyed unlawfully.

During our testing of Miscellaneous Receipts, which are mostly compromised of baseball registration receipts, the Township was unable to locate any supporting documentation for Miscellaneous Receipts revenue for 2009. Therefore, we are unable to determine whether baseball registration receipts are deposited timely, whether participants in the Township's baseball program were charged the correct fees, and whether baseball registration receipts are complete and accurate. Failure to maintain adequate underlying supporting documentation increases the Township's exposure to theft and loss.

We recommend the Township maintain adequate supporting documentation for all receipts which should include creating prenumbered dated receipts for all monies received and documenting fees charged to and collected from each participant. This and all supporting documentation should be secured and maintained at the Township hall.

OFFICIAL'S RESPONSE

All records will be submitted to the Township Fiscal Officer and maintained at the Township hall.

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC 5705.14 - Transfers	No	Not Corrected – Repeated as Finding 2010-003
2008-002	ORC 135.21 - Allocation of Interest	Yes	

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Dave Yost • Auditor of State

LEROY TOWNSHIP

LAKE 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
NOVEMBER 10, 2011