

**LAGRANGE TOWNSHIP**

LORAIN COUNTY

INDEPENDENT ACCOUNTANTS' REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND DECEMBER 31, 2010





# Dave Yost • Auditor of State

Board of Trustees  
LaGrange Township  
353 South Center Street  
LaGrange, Ohio 44050

We have reviewed the *Independent Accountants' Report* of LaGrange Township, Lorain County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. LaGrange Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 6, 2012

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**LAGRANGE TOWNSHIP**  
**LORAIN COUNTY**  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

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**INDEPENDENT ACCOUNTANTS' REPORT**

LaGrange Township  
Lorain County  
353 South Center Street  
LaGrange, Ohio 44050

To the Board of Trustees:

We have audited the accompanying financial statements of LaGrange Township, Lorain County, (the Township) as of and for the years ended December 31, 2011 and 2010. 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.

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.

As described more fully in Note 1B, 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 Townships 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of LaGrange Township, Lorain County,

and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2010 LaGrange Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2012, 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.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

August 17, 2012

**LaGrange Township**  
**Lorain County, Ohio**  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Cash Basis)**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2011**

	General	Special Revenue	Debt Service	Capital Project	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$189,073	\$579,671	\$0	\$0	\$768,744
Charges for Services	0	153,174	0	0	153,174
Licenses, Permits and Fees	12,685	15,250	0	0	27,935
Intergovernmental	148,520	185,896	0	0	334,416
Special Assessments	783	0	0	0	783
Earnings on Investments	1,193	298	0	84	1,575
Miscellaneous	5,698	23,437	0	0	29,135
<i>Total Cash Receipts</i>	<u>357,952</u>	<u>957,726</u>	<u>0</u>	<u>84</u>	<u>1,315,762</u>
<b>Cash Disbursements</b>					
Current:					
General Government	263,641	128,823	0	0	392,464
Public Safety	0	379,809	0	0	379,809
Public Works	4,603	291,078	0	0	295,681
Health	0	51,676	0	0	51,676
Human Services	0	500	0	0	500
Conservation-Recreation	0	50,000	0	0	50,000
Capital Outlay	35,782	30,638	0	0	66,420
Debt Service:					
Principal Retirement	0	2,768	43,787	44,031	90,586
Interest and Fiscal Charges	0	0	1,463	1,722	3,185
<i>Total Cash Disbursements</i>	<u>304,026</u>	<u>935,292</u>	<u>45,250</u>	<u>45,753</u>	<u>1,330,321</u>
<i>Excess of Receipts over (Under) Disbursements</i>	<u>53,926</u>	<u>22,434</u>	<u>(45,250)</u>	<u>(45,669)</u>	<u>(14,559)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	0	50,000	44,550	50,000	144,550
Transfers Out	(94,550)	(50,000)	0	0	(144,550)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(94,550)</u>	<u>0</u>	<u>44,550</u>	<u>50,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(40,624)</u>	<u>22,434</u>	<u>(700)</u>	<u>4,331</u>	<u>(14,559)</u>
<i>Fund Cash Balances , January 1</i>	<u>399,799</u>	<u>531,841</u>	<u>700</u>	<u>89,341</u>	<u>1,021,681</u>
<b>Fund Cash Balances , December 31</b>					
Restricted	0	456,593	0	0	456,593
Committed	0	97,682	0	93,672	191,354
Assigned	5,000	0	0	0	5,000
Unassigned	354,175	0	0	0	354,175
<i>Fund Cash Balances , December 31</i>	<u>\$359,175</u>	<u>\$554,275</u>	<u>\$0</u>	<u>\$93,672</u>	<u>\$1,007,122</u>

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

**LaGrange Township**  
**Lorain County, Ohio**  
**Statement of Receipts, Disbursements**  
**and Change in Fund Balance (Cash Basis)**  
**Fiduciary Fund Type**  
**For the Year Ended December 31, 2011**

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	<u>Agency</u>
Operating Cash Receipts	<u>\$0</u>
Operating Cash Disbursements	<u>0</u>
<i>Net Change in Fund Cash Balance</i>	0
<i>Fund Cash Balance, January 1</i>	<u>373</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$373</u></u>

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

**LaGrange Township  
Lorain County, Ohio  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2010**

	General	Special Revenue	Debt Service	Capital Project	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$178,567	\$551,511	\$0	\$0	\$730,078
Charges for Services	0	150,824	0	0	150,824
Licenses, Permits and Fees	11,512	18,850	0	0	30,362
Intergovernmental	112,239	221,443	0	160,546	494,228
Earnings on Investments	1,472	356	0	242	2,070
Miscellaneous	6,866	28,314	0	0	35,180
<i>Total Cash Receipts</i>	<u>310,656</u>	<u>971,298</u>	<u>0</u>	<u>160,788</u>	<u>1,442,742</u>
<b>Cash Disbursements</b>					
Current:					
General Government	230,730	119,633	0	0	350,363
Public Safety	0	352,384	0	0	352,384
Public Works	4,712	323,975	0	0	328,687
Health	0	44,136	0	0	44,136
Human Services	0	500	0	0	500
Conservation-Recreation	0	50,000	0	0	50,000
Capital Outlay	4,745	56,813	0	313,659	375,217
Debt Service:					
Principal Retirement	0	2,768	42,269	41,830	86,867
Interest and Fiscal Charges	0	0	2,732	3,923	6,655
<i>Total Cash Disbursements</i>	<u>240,187</u>	<u>950,209</u>	<u>45,001</u>	<u>359,412</u>	<u>1,594,809</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>70,469</u>	<u>21,089</u>	<u>(45,001)</u>	<u>(198,624)</u>	<u>(152,067)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	0	50,000	45,674	50,000	145,674
Transfers Out	(95,674)	(50,000)	0	0	(145,674)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(95,674)</u>	<u>0</u>	<u>45,674</u>	<u>50,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balance</i>	<u>(25,205)</u>	<u>21,089</u>	<u>673</u>	<u>(148,624)</u>	<u>(152,067)</u>
<i>Fund Cash Balances , January 1</i>	<u>425,004</u>	<u>510,752</u>	<u>27</u>	<u>237,965</u>	<u>1,173,748</u>
<b>Fund Cash Balances , December 31</b>					
Restricted	0	412,167	0	0	412,167
Committed	0	119,674	0	89,341	209,015
Assigned	2,102	0	700	0	2,802
Unassigned	397,697	0	0	0	397,697
<i>Fund Cash Balances , December 31</i>	<u>\$399,799</u>	<u>\$531,841</u>	<u>\$700</u>	<u>\$89,341</u>	<u>\$1,021,681</u>

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

**LaGrange Township**  
**Lorain County, Ohio**  
**Statement of Receipts, Disbursements**  
**and Change in Fund Balance (Cash Basis)**  
**Fiduciary Fund Type**  
**For the Year Ended December 31, 2010**

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	<u>Agency</u>
Operating Cash Receipts	<u>\$0</u>
Operating Cash Disbursements	<u>0</u>
<i>Net Change in Fund Cash Balance</i>	0
<i>Fund Cash Balance, January 1</i>	<u>373</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$373</u></u>

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

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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 LaGrange 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 Lorain County Sheriff to provide police protection services.

The Township participates in two jointly governed organizations and the Ohio Township Association and Risk Management Authority public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

**Jointly Governed Organizations:**

The Township and the Village of LaGrange formed the LaGrange Community Park, a joint park and recreation board pursuant to Ohio Revised Code Section 755.14(B).

The Township and the Village of LaGrange formed the LaGrange Community Improvement Corporation, a joint community improvement corporation pursuant to Ohio Revised Code Section 1724.

**Public Entity Risk Pool:**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships.

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).

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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.

The Township did not have any investment activity in 2011 or 2010.

**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.

Fire and EMS Levy Fund - This fund receives property tax money to provide for general operating expenses of fire and emergency medical services.

**3. Debt Service Fund**

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township's Debt Service Fund accounts for resources to pay Park Land Notes debt service requirements.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or construction major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Issue II Fund – The Township received a grant relating to an Ohio Public Works Commission infrastructure project (2010 only).

Fire and EMS Equipment Fund – This fund provides for capital equipment purchases for fire and emergency medical services.

**5. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for a three percent Board of Building Standards fee that is remitted to the State of Ohio.

**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 and department level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**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

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**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.

**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

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

established by Township Trustee 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.

**2. Equity in Pooled Deposits and Investments**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$360,497	\$356,460
Other time deposits (savings and NOW accounts)	<u>646,998</u>	<u>665,594</u>
Total deposits	<u>\$1,007,495</u>	<u>\$1,022,054</u>

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

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$337,266	\$357,952	\$20,686
Special Revenue	967,625	1,007,726	40,101
Debt Service	46,350	44,550	(1,800)
Capital Project	77,765	50,084	(27,681)
Total	\$1,429,006	\$1,460,312	\$31,306

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$716,377	\$403,576	\$312,801
Special Revenue	1,439,686	997,414	442,272
Debt Service	46,000	45,250	750
Capital Project	139,000	45,753	93,247
Total	\$2,341,063	\$1,491,993	\$849,070

2010 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$365,239	\$310,656	(\$54,583)
Special Revenue	1,003,669	1,021,298	17,629
Debt Service	45,000	45,674	674
Capital Project	288,436	210,788	(77,648)
Total	\$1,702,344	\$1,588,416	(\$113,928)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$724,000	\$337,963	\$386,037
Special Revenue	1,387,607	1,010,669	376,938
Debt Service	45,001	45,001	0
Capital Project	484,406	359,412	124,994
Total	\$2,641,014	\$1,753,045	\$887,969

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(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 tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
OPWC Loan CI39J	\$44,288	0%

The Ohio Public Works Commission Loan was issued in 2008 to pay for widening and reconstruction of Whitney Road.

Amortization of the above debt is scheduled as follows:

2012	\$2,768
2013	2,768
2014	2,768
2015	2,768
2016	2,768
2017-2021	13,840
2022-2026	13,840
2027-2031	2,768
Total	\$44,288

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(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 this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2011 and 2010, 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, 2011.

**7. Risk Management**

**Risk Pool Membership**

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

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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 (the latest information available):

	<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 \$24,680.

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>2011</u>	<u>2010</u>
\$46,151	\$33,351

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.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Joint Ventures**

LaGrange Township and the Village of LaGrange formed a joint park and recreation board pursuant to Ohio Revised Code Section 755.14(B) which is a joint venture. The LaGrange Community Park is governed by five members who are residents of either the Village or the Township. A chairperson is appointed for a term of one year on an alternating basis by the Township and the Village. The other Board members are appointed by the Township and the Village proportionately. The Board exercises all powers to equip, operate, and maintain parks, playgrounds, playfields, gymnasiums, public baths, swimming pools, and recreation centers. The participants retain an ongoing financial interest and responsibility. The Township appointed a voting majority of the members in fiscal year 2003 and may dissolve the Board at any time, upon one year written notice to the Village. Financial information may be obtained by contacting Debbie Zarbaugh, Clerk-Treasurer, 355 South Center Street, LaGrange, Ohio 44050.

LaGrange Township and the Village of LaGrange formed a joint community improvement corporation in 2005 pursuant to Ohio Revised Code Section 1724 which is a joint venture. The LaGrange Community Improvement Corporation is governed by a Board of Directors, which consists of three to five members. The Village and Township are entitled to appoint two members with the fifth member being appointed by a majority vote of the other Board members. At any point in time, at least 40% of the Board members must be elected officials of the Village or Township. The Corporation was formed for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of 38.96 acres of property jointly owned by LaGrange Township and the Village of LaGrange.

**9. Subsequent Events**

Subsequent events were evaluated by management through August 17, 2012, the date the financial statements were available to be issued.

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

LaGrange Township  
Lorain County  
353 South Center Street  
LaGrange, Ohio 44050

To the Board of Trustees:

We have audited the financial statements of LaGrange Township, Lorain County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 17, 2012, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. 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.

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 more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

## 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 17, 2012.

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

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

August 17, 2012



# Dave Yost • Auditor of State

**LAGRANGE 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  
NOVEMBER 20, 2012**