



**Auditor of State
Betty Montgomery**

**LEROY TOWNSHIP
LAKE COUNTY**

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**Auditor of State
Betty Montgomery**

Leroy Township
Lake County
5920 Paine Road
Painesville, 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 a February 2, 2005 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 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 1, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Leroy Township
Lake County
5920 Paine Road
Painesville, Ohio 44077

To the Board of Trustees:

We have audited the accompanying financial statements of Leroy Township, Lake County, Ohio, (the Township) as of and for the years ended December 31, 2004 and December 31, 2003. 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 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Leroy Township, Lake County, as of December 31, 2004 and December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 November 1, 2005, 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.



Betty Montgomery
Auditor of State

November 1, 2005

**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, 2004**

	<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 Taxes	\$129,378	\$582,450	\$0	\$0	\$711,828
Intergovernmental	151,603	271,770	0	0	423,373
Licenses, Permits, and Fees	30,793	0	0	0	30,793
Charges for Services	0	11,838	0	0	11,838
Earnings on Investments	2,189	0	0	0	2,189
Other Revenue	36,797	29,036	0	0	65,833
Total Cash Receipts	<u>350,760</u>	<u>895,094</u>	<u>0</u>	<u>0</u>	<u>1,245,854</u>
Cash Disbursements:					
Current:					
General Government	196,015	3,945	0	0	199,960
Public Safety	0	407,221	0	108,560	515,781
Public Works	13,170	381,557	0	0	394,727
Health	36,310	0	0	0	36,310
Human Services	71,386	0	0	0	71,386
Conservation - Recreation	6,043	0	0	0	6,043
Debt Service:					
Redemption of Principal	0	0	71,527	0	71,527
Interest and Fiscal Charges	0	0	15,182	0	15,182
Capital Outlay	25,274	44,123	0	98,022	167,419
Total Cash Disbursements	<u>348,198</u>	<u>836,846</u>	<u>86,709</u>	<u>206,582</u>	<u>1,478,335</u>
Total Receipts Over/(Under) Disbursements	<u>2,562</u>	<u>58,248</u>	<u>(86,709)</u>	<u>(206,582)</u>	<u>(232,481)</u>
Other Financing Receipts and (Disbursements):					
Loan Proceeds	0	98,022	0	0	98,022
Sale of Fixed Assets	0	0	0	31,000	31,000
Transfers-In	0	0	86,709	199,618	286,327
Transfers-Out	0	(286,327)	0	0	(286,327)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>(188,305)</u>	<u>86,709</u>	<u>230,618</u>	<u>129,022</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,562	(130,057)	0	24,036	(103,459)
Fund Cash Balances, January 1, 2004	77,862	269,038	0	30,434	377,334
Fund Cash Balances, December 31, 2004	<u>\$80,424</u>	<u>\$138,981</u>	<u>\$0</u>	<u>\$54,470</u>	<u>\$273,875</u>
Reserve for Encumbrances, December 31, 2004	<u>\$2,000</u>	<u>\$3,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,000</u>

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, 2003**

	<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 Taxes	\$107,464	\$551,919	\$0	\$0	\$659,383
Intergovernmental	145,156	148,660	0	95,220	389,036
Charges for Services	0	12,610	0	0	12,610
Licenses, Permits, and Fees	32,272	0	0	0	32,272
Earnings on Investments	2,631	0	0	0	2,631
Other Revenue	30,064	25,519	0	0	55,583
Total Cash Receipts	<u>317,587</u>	<u>738,708</u>	<u>0</u>	<u>95,220</u>	<u>1,151,515</u>
Cash Disbursements:					
Current:					
General Government	197,921	3,677	0	0	201,598
Public Safety	0	376,289	0	24,514	400,803
Public Works	8,318	233,947	0	0	242,265
Health	55,949	0	0	0	55,949
Human Services	72,638	0	0	0	72,638
Conservation - Recreation	5,513	0	0	0	5,513
Debt Service:					
Redemption of Principal	6,574	0	51,506	0	58,080
Interest and Fiscal Charges	651	0	14,271	0	14,922
Capital Outlay	33,982	37,619	0	112,108	183,709
Total Cash Disbursements	<u>381,546</u>	<u>651,532</u>	<u>65,777</u>	<u>136,622</u>	<u>1,235,477</u>
Total Receipts Over/(Under) Disbursements	<u>(63,959)</u>	<u>87,176</u>	<u>(65,777)</u>	<u>(41,402)</u>	<u>(83,962)</u>
Other Financing Receipts and (Disbursements):					
Loan Proceeds	0	73,644	0	0	73,644
Transfers-In	0	0	65,777	30,434	96,211
Transfers-Out	0	(96,211)	0	0	(96,211)
Other Sources	925	0	0	0	925
Total Other Financing Receipts/(Disbursements)	<u>925</u>	<u>(22,567)</u>	<u>65,777</u>	<u>30,434</u>	<u>74,569</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(63,034)	64,609	0	(10,968)	(9,393)
Fund Cash Balances, January 1, 2003	140,896	204,429	0	41,402	386,727
Fund Cash Balances, December 31, 2003	<u>\$77,862</u>	<u>\$269,038</u>	<u>\$0</u>	<u>\$30,434</u>	<u>\$377,334</u>
Reserve for Encumbrances, December 31, 2003	<u>\$1,000</u>	<u>\$3,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,000</u>

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

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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, (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 from the Township.

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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. Cash 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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, 2004 AND 2003
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Issue II Fund - This fund is used to account for Issue II funds used for paving roads.

3. Debt Service Funds

This fund accounts for resources the Township accumulates to pay bond and note indebtedness. 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 fund:

Capital Equipment – To purchase significant equipment for the Township.

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. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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:

	2004	2003
Demand deposits	\$273,875	\$377,334
Total deposits	\$273,875	\$377,334

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, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$378,426	\$350,760	(\$27,666)
Special Revenue	1,096,274	993,116	(103,158)
Debt Service	86,709	86,709	0
Capital Projects	209,619	230,618	20,999
Total	\$1,771,028	\$1,661,203	(\$109,825)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$359,723	\$350,198	\$9,525
Special Revenue	1,218,138	1,126,173	91,965
Debt Service	86,709	86,709	0
Capital Projects	222,052	206,582	15,470
Total	\$1,886,622	\$1,769,662	\$116,960

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(CONTINUED)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$337,299	\$318,512	(\$18,787)
Special Revenue	824,819	812,352	(12,467)
Debt Service	65,777	65,777	0
Capital Projects	127,654	125,654	(2,000)
Total	\$1,355,549	\$1,322,295	(\$33,254)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$426,578	\$382,546	\$44,032
Special Revenue	838,233	750,743	87,490
Debt Service	65,777	65,777	0
Capital Projects	159,056	136,622	22,434
Total	\$1,489,644	\$1,335,688	\$153,956

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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, 2004 was as follows:

	Principal	Interest Rate
Fire Department Radio Loan	\$24,398	4.75%
Fire Truck Note	183,383	4.50%
Fire Department Emergency Vehicle	56,000	5.95%
International Dump Truck	98,022	5.15%
Total	\$361,803	

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(CONTINUED)**

5. DEBT (Continued)

The Five Year Fire Department Loan was used to finance radio system for the Fire Department.

The Fire Truck Note was used to finance the purchase of a Fire Truck and is a seven year note.

The Fire Department Emergency Vehicle loan was used for a purchase of an Emergency Vehicle and is a four year loan.

The International Dump Truck loan was used for the purchase of a dump truck and is a four year loan.

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

Year ending December 31:	Fire Department Radio Loan	Fire Truck Note	Fire Emergency Vehicle
2005	\$13,075	\$41,773	\$20,931
2006	13,075	41,773	20,931
2007		41,773	20,931
2008		41,773	
2009		41,773	
Total	<u>\$26,150</u>	<u>\$208,865</u>	<u>\$62,793</u>

Year ending December 31:	International Dump Truck Loan	Totals
2005	\$27,966	\$103,745
2006	27,966	103,745
2007	27,966	90,670
2008	27,966	69,739
2009		41,773
Total	<u>\$111,864</u>	<u>\$409,672</u>

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 2004 and 2003, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(CONTINUED)**

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Township also provides health insurance and dental coverage to full-time employees through a private carrier.

8. RELATED PARTY TRANSACTIONS

Richard Van Pelt, Jr., is the son of one of the Township Trustees, Richard Van Pelt, Sr. Richard Van Pelt, Jr. works on the Township's Roads, Parks, and Cemetery and was paid \$60,946 in 2004 and \$60,506 in 2003. These amounts include overtime in all three departments.

Jason Rodgers, is the son of the Clerk-Treasurer, Sharon Rodgers. Jason Rodgers works on the Township's Roads, Parks, and Cemetery and was paid \$41,555 in 2004 and \$40,985 in 2003. These amounts include overtime in all three departments.



Auditor of State Betty Montgomery

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
Painesville, Ohio 44077

To the Board of Trustees:

We have audited the financial statements of Leroy Township, Lake County, Ohio, (the Township) as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated November 1, 2005, wherein we noted that the Township prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-003 and 2004-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition items 2004-003 and 2004-004 to be material weaknesses. In a separate letter to the Township's management dated November 1, 2005, we reported a certain matter involving internal control over financial reporting that we did not deem a reportable condition.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

We intend this report solely for the information and use of the audit committee, management, Board of Trustees and is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 1, 2005

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Finding For Recovery (Repaid Under Audit)

During the review of payroll transactions, we noted two road department employees were overpaid for the payroll period ending January 3, 2003.

We noted that Richard Van Pelt, Jr. was paid for 36.5 hours at double time for the pay period beginning on December 21, 2002, and ending on January 3, 2003. Instead, he should have been paid at time and half as documented in the personnel manual. In addition we noted a discrepancy of 16 hours in the payment of overtime hours as compared to the approved time cards and time sheets.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Richard Van Pelt, Jr., Road Department Supervisor, Sharon Rodgers, Clerk, and Ohio Township Association Risk Management, her bonding company, jointly and severally, in favor of Leroy Township and in the amount of \$697.12, calculated as listed below.

We noted that Jason Rodgers was paid for 33 hours at double time for the pay period beginning on December 21, 2002, and ending on January 3, 2003. Instead, he should have been paid at time and half as documented in the personnel manual. In addition, we noted a discrepancy of 18 hours in the payment of overtime hours as compared to the approved time cards and time sheets.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jason Rodgers, Road Department Employee, Sharon Rodgers, Clerk, and Ohio Township Association Risk Management, her bonding company, jointly and severally, in favor of Leroy Township and in the amount of \$500.25, calculated as listed below.

	Richard Van Pelt, Jr.	Jason Rodgers
Overpayment for double time payment	\$301.12	\$189.75
Overpayment of overtime	<u>396.00</u>	<u>310.50</u>
Total Overpayment	<u><u>\$697.12</u></u>	<u><u>\$500.25</u></u>

The Clerk-Treasurer and the Trustees should closely monitor time sheets and agree to the compensation paid. In addition, the Township should notify Ohio Public Employees Retirement System to see if any gross pay reductions should be made.

As of November 8, 2005, the above finding for recovery was repaid in full to Leroy Township.

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(CONTINUED)**

FINDING NUMBER 2004-002

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Sixteen percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) required to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(CONTINUED)**

FINDING NUMBER 2004-003

Condition of the Financial Records

Management is responsible for adopting sound accounting policies and for establishing and maintaining internal controls that are designed to record, process, summarize and report transactions consistent with management's assertions. Also, the fair presentation of cash basis financial statements is a direct and integral part of management's responsibility to provide reliable and accurate information. During this engagement, we had numerous adjustments that had to be made to enable us to verify the accuracy of the cash activity and cash fund balances of the Township. Management was not able to present evidence of performing monthly reconciliations in a timely manner.

Without accurate and complete recording and presentation of financial activity, additional audit steps had to be completed to verify the financial position of the Township. In the absence of complete and accurate financial records and monthly reconciliations, the Township could experience unexplained losses, misappropriation of assets, or accumulate debt amounts in excess of their ability to repay. We noted the Township's financial records had the following weaknesses:

- The Township has not reconciled their ledgers to the bank statements in a timely manner;
- The Township converted a Certificate of Deposit in 2003 into its bank account and receipted the conversion as revenue on the ledger; however, this was not actual revenue and had to be corrected in 2004;
- The General and Special Revenue Fund balances were overstated for 2003;
- While posting to ledgers, the Township did not distinguish between principal and interest, debt transactions were posted entirely to principal accounts;
- The cash activity of the Township was not sufficiently validated by a timely reconciliation procedures;
- Bank deposits were not posted to the Township's ledgers in a timely manner; and
- Numerous adjustments were made to the Village ledgers by the Clerk with little or no support.

Without timely and accurate reconciliations and ledgers, the Township could have errors that are not be detected. The process of reconciling the revenues and expenditures posted to the Township ledgers to the bank statements may also become difficult. All material adjustments were made on the financial statements.

We recommend the Township reconcile their ledgers to the bank statements on a monthly basis. Reconciliations should be reviewed, initialed and dated by the Board of Trustees to ensure the accuracy and validity of the reconciliation process. The Township should make additional efforts to resolve unreconciled differences when noted in a timely manner and maintain proper support. All Township receipts and expenditures should be posted in a timely fashion and in accordance with the Township's chart of accounts.

We also recommend the Township track and post principal and interest payments separately

The Township management has numerous sources of information available describing the process of internal controls, recordkeeping requirements and reporting procedures. It is the responsibility of management to ensure that all responsible parties have access to this literature and training sessions.

It is imperative that accurate and complete records which exhibit true balances be maintained. If necessary, the Township management should seek training sessions for financial statement preparation, read and study the available authoritative literature, develop a program of recordkeeping which will provide assurance of financial statement accuracy and integrity, and if necessary seek out the assistance of a professional who is familiar with the these requirements. Finally, management must always assure themselves that repeated errors or weak internal controls is not an attempt to cover up fraud.

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(CONTINUED)**

FINDING NUMBER 2004-004

Payroll Procedures

The Township has established a payroll policy detailing the proper procedures for the recording the Township employees' payroll. The Township's policy states that a time clock will be used along with time cards. Also, the Township break period policy, in place, states that road employees shall not work over 16 hours without taking a four-hour "break" before reporting back to duty.

A review of the Township's detailed payroll reports disclosed that 73% of payroll time card's tested showed that time clocks were not used all the time. Either the beginning or ending time was not entered by a time clock, then the time was hand-written in. Also, a review of the detailed payroll reports disclosed numerous instances where the overtime work performed did not have a precise description. We also noted that the policy does not address whether the break is a paid break or an unpaid break.

Without have clear policies that are followed, the Township could have errors that are not be detected.

We recommend that the Township employees follow the payroll policy established by the Township Trustees to ensure the time cards and time sheets are properly used as established. Also, we recommend that the payroll reports include enough detail to monitor the activities being completed. In addition, we recommend that the Township review their break policy to establish whether the specified break should be paid or an unpaid.



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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
DECEMBER 6, 2005**