



**LAGRANGE TOWNSHIP
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

LaGrange Township
Lorain County
P.O. Box 565
Lagrange, Ohio 44050

To the Board of Trustees:

We have audited the accompanying financial statements of LaGrange Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 LaGrange Township, Lorain County, Ohio, as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

November 15, 2002

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Funds	
Cash Receipts:						
Local Taxes	\$136,907	\$351,396	\$0	\$0	\$0	\$488,303
Intergovernmental	141,333	157,296	145,000	0	0	443,629
Charges for Services	0	6,327	0	0	0	6,327
Licenses, Permits, and Fees	15,795	9,250	0	0	44	25,089
Earnings on Investments	25,979	4,354	0	0	0	30,333
Other Revenue	130,122	11,658	0	0	0	141,780
Total Cash Receipts	450,136	540,281	145,000	0	44	1,135,461
Cash Disbursements:						
Current:						
General Government	149,741	17,006	0	0	0	166,747
Public Safety	0	217,601	0	0	0	217,601
Public Works	14,400	186,789	0	0	0	201,189
Health	0	30,492	0	0	19	30,511
Conservation - Recreation	87,088	0	0	0	0	87,088
Miscellaneous	0	0	0	0	24	24
Debt Service:						
Redemption of Principal	5,382	0	288,329	0	0	293,711
Interest and Fiscal Charges	1,968	0	9,857	0	0	11,825
Capital Outlay	339,277	36,291	0	13,337	0	388,905
Total Cash Disbursements	597,856	488,179	298,186	13,337	43	1,397,601
Total Receipts Over/(Under) Disbursements	(147,720)	52,102	(153,186)	(13,337)	1	(262,140)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	250,000	0	105,000	0	0	355,000
Transfers-In	0	7,000	48,186	0	0	55,186
Advances-In	0	6,000	0	0	0	6,000
Transfers-Out	(13,532)	(41,654)	0	0	0	(55,186)
Advances-Out	(6,000)	0	0	0	0	(6,000)
Other Sources	0	0	0	0	0	0
Total Other Financing Receipts/(Disbursements)	230,468	(28,654)	153,186	0	0	355,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	82,748	23,448	0	(13,337)	1	92,860
Fund Cash Balances, January 1	319,328	307,916	387	25,000	57	652,688
Fund Cash Balances, December 31	\$402,076	\$331,364	\$387	\$11,663	\$58	\$745,548
Reserve for Encumbrances, December 31	\$58,814	\$0	\$0	\$36,611	\$0	\$95,425

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

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Funds	
Cash Receipts:						
Local Taxes	\$124,256	\$307,528	\$0	\$0	\$0	\$431,784
Intergovernmental	118,075	141,110	0	0	0	259,185
Charges for Services	0	0	0	0	0	0
Licenses, Permits, and Fees	15,349	8,625	0	0	38	24,012
Earnings on Investments	35,369	6,157	0	0	0	41,526
Other Revenue	3,636	19,741	0	0	0	23,377
Total Cash Receipts	296,685	483,161	0	0	38	779,884
Cash Disbursements:						
Current:						
General Government	153,125	43,476	0	0	0	196,601
Public Safety	0	120,059	0	0	0	120,059
Public Works	9,991	128,255	0	0	0	138,246
Health	0	34,157	0	0	0	34,157
Conservation - Recreation	71,000	0	0	0	0	71,000
Miscellaneous	0	0	0	0	38	38
Debt Service:						
Redemption of Principal	0	0	34,863	0	0	34,863
Interest and Fiscal Charges	0	0	10,828	0	0	10,828
Capital Outlay	41,442	81,277	0	0	0	122,719
Total Cash Disbursements	275,558	407,224	45,691	0	38	728,511
Total Receipts Over/(Under) Disbursements	21,127	75,937	(45,691)	0	0	51,373
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	0	0	0	0	0	0
Transfers-In	0	1,000	45,159	25,000	0	71,159
Advances-In	6,630	6,630	0	0	0	13,260
Transfers-Out	(6,713)	(64,446)	0	0	0	(71,159)
Advances-Out	(6,630)	(6,630)	0	0	0	(13,260)
Other Sources	239	259	0	0	0	498
Total Other Financing Receipts/(Disbursements)	(6,474)	(63,187)	45,159	25,000	0	498
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,653	12,750	(532)	25,000	0	51,871
Fund Cash Balances, January 1 (Restated - See Note 9)	304,675	295,166	919	0	57	600,817
Fund Cash Balances, December 31	\$319,328	\$307,916	\$387	\$25,000	\$57	\$652,688
Reserve for Encumbrances, December 31	\$0	\$42,850	\$0	\$0	\$0	\$42,850

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

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

LaGrange Township, Lorain County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services including road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township's police protection is provided by the Lorain County Sheriff.

LaGrange Township and the Village of LaGrange formed a joint park and recreation board pursuant to Ohio Rev. Code Section 755.14(B) which is a joint venture. The LaGrange Joint Park and Recreation Board 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 2001 and may dissolve the Board at any time, upon one year written notice to the Village. The Township serves as fiscal agent for the LaGrange Joint Park and Recreation Board. Financial information may be obtained by contacting Roberta Dove, the LaGrange Township Clerk, at P.O. Box 565, LaGrange, Ohio 44050.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

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:

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to 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:

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

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Fire/EMS Levy Fund - This fund receives property tax and state money to maintain the Township's voluntary fire efforts and to facilitate the efficiency of the Township's ambulance services.

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of Township debt.

4. Capital Project Funds

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

Permanent Improvement Fund – This fund is used for permanent improvements to the Township.

5. Fiduciary Funds (Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Commercial Building Inspection Fund – This fund is used to collect and remit a three percent assessment of permit fees to the Board of Building Standards.

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2001	2000
Demand deposits	\$110,122	\$39,088
Money Market Savings Account	219,614	216,244
Certificates of deposit	415,812	397,356
Total deposits and investments	\$745,548	\$652,688

Deposits: Deposits are either 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, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$430,753	\$700,136	\$269,383
Special Revenue	544,874	547,281	2,407
Debt Service	40,000	298,186	258,186
Capital Projects	25,000	0	(25,000)
Expendable Trust	0	0	0
Agency	50	44	(6)
Total	\$1,040,677	\$1,545,647	\$504,970

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$825,240	\$670,202	\$155,038
Special Revenue	727,950	529,833	198,117
Debt Service	290,000	298,186	(8,186)
Capital Projects	50,000	49,948	52
Expendable Trust	50	19	31
Agency	50	24	26
Total	\$1,893,290	\$1,548,212	\$345,078

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$244,056	\$296,924	\$52,868
Special Revenue	452,754	484,420	31,666
Debt Service	30,900	45,159	14,259
Capital Projects	50,000	25,000	(25,000)
Expendable Trust	2	0	(2)
Agency	40	38	(2)
Total	<u>\$777,752</u>	<u>\$851,541</u>	<u>\$73,789</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$394,345	\$282,271	\$112,074
Special Revenue	734,700	514,520	220,180
Debt Service	30,000	45,691	(15,691)
Capital Projects	25,000	0	25,000
Expendable Trust	50	0	50
Agency	40	38	2
Total	<u>\$1,184,135</u>	<u>\$842,520</u>	<u>\$341,615</u>

Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority, at the legal level of budgetary control for the Solid Waste Grant and the General Note Retirement Funds at December 31, 2000.

The Township Clerk did not certify the availability of funds for purchase commitments, in either year under audit, contrary to Ohio Revised Code Section 5705.41(D).

Contrary Ohio Revised Code Section 5705.39, fund appropriations exceeded estimated resources available for expenditures in the General and General Note Retirement Funds in 2001.

Contrary to Ohio Revised Code Sections 5705.36, the Township certified, to the county auditor, estimated resources which were not the Township's in FY 2001 and 2000 in the Community Park Fund.

4. PROPERTY TAX

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

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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 with 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, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Note	\$35,074	5.5% to 11.5%
Fire Truck Note	\$39,748	6.25%
Land Note	100,107	4.90%
Total	<u>\$174,929</u>	

Outstanding notes are payable from the proceeds of general property taxes levied against individual property owners.

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

	<u>Fire Station Note</u>	<u>Fire Truck Note</u>	<u>Land Note</u>
Year ending December 31:			
2002	\$25,471	\$21,297	\$14,467
2003	12,735	21,297	14,467
2004	0	0	14,467
2005	0	0	14,467
2006	0	0	14,467
2007 to 2010	0	0	51,102
Total	<u>\$38,206</u>	<u>\$42,594</u>	<u>\$123,437</u>

6. CAPITAL LEASE

The Township has entered into a land lease agreement with the Village of LaGrange to establish and operate a park and recreation facility for the benefit and use of the residents of the Village of LaGrange and LaGrange Township. The annual installments are to be paid out of the General Fund. The lease inception date is June 1, 1999, and the maturity date is December 1, 2013.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2001, are as follows:

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. CAPITAL LEASE (Continued)

<u>Year Ending Dec 31</u>	
2002	\$54,177
2003	32,433
2004	32,433
2005	32,433
2006	32,433
2007 to 2013	227,353
Total minimum lease payments	\$411,262
Less: amount representing interest	(143,110)
Present Value of minimum lease payments	\$268,152

7. RETIREMENT SYSTEMS

The Township's full time certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 19.5% of covered payroll for full time law enforcement officers and 24% of covered payroll for certified Fire Fighters to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

Effective August 3, 1992, any new part-time Township firefighters are no longer covered by PERS and must contribute to social security.

8. RISK POOL MEMBERSHIP

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. RISK POOL MEMBERSHIP (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do 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 report the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	9,379,003	8,924,977
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	647,667	497,831
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

9. RESTATEMENT OF FUND BALANCES

The Township is now reporting only the activity for collection and remittance of the three percent assessment of permit fees to the Board of Building Standards in their Agency Fund. All other permit receipt and disbursement activity is now being reported in the General Fund. This resulted in an increase in the General Fund balance at December 31, 1999 of \$972 and a decrease in the Agency Funds Balance at December 31, 1999 of \$972. This \$972 change increased the General Fund balance to \$304,675 and decreased the Agency Fund balance to \$0 at December 31, 1999.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

LaGrange Township
Lorain County
P.O. Box 565
LaGrange, Ohio 44044

To the Board of Trustees:

We have audited the accompanying financial statements of LaGrange Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated November 15, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40847-001 through 2001-40847-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated November 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated November 15, 2002.

LaGrange Township
Lorain County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

November 15, 2002

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-40847-001

Ohio Rev. Code Sections 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. The Township's legal level of budgetary control is at the Fund level.

The following funds had expenditures exceeding appropriations at the legal level of budgetary control on December 31, 2000:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Solid Waste Grant Fund	\$ 44,000	\$ 52,932	(\$ 8,932)
General Note Retirement Fund	\$ 30,000	\$ 45,691	(\$15,591)

This weakness could allow expenditures in the above funds to exceed the total of the available fund balance and the current year revenues. This would then result in a negative cash fund balance.

We recommend the Township compare appropriations to expenditures and appropriations to expenditures plus encumbrances at the legal level of budgetary control, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum.

FINDING NUMBER 2001-40847-002

Ohio Revised Code Section 5705.41(D), requires in part that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from previous encumbrances.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both as the time of contract or order and at the time of certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within thirty days from the receipt of such certificates, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

During 2001 and 2000, the Township Clerk did not certify the availability of funds for purchase commitments and the Township did not employ "Then and Now Certificates."

We recommend that the Township Clerk certify the availability of funds prior to making purchase commitments. We also recommend the Township utilize the "Then and Now Certificates" when appropriate.

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-40847-003

Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditures from the fund. In addition, Ohio Rev. Code Section 5705.40 requires that any appropriation measure to be amended or supplemented provided the Township complies with the same provisions of the law as are used in making the original appropriation. The following funds had appropriations in excess of the amount certified as available by the budget commission for FY 2001:

Fund	Total Estimated Resources	Appropriations	Excess
General Fund	\$ 768,857	\$ 825,240	(\$ 56,383)
General Note Retirement Fund	\$ 40,387	\$ 290,000	(\$ 249,613)

In 2001, the Township issued \$250,000 in note debt in the Township's General Fund and issued \$105,000 in note debt and received \$145,000 from the Village of LaGrange in the Townships General Note Retirement Fund. The Township did not amend their certificate of estimated resources or budget for this additional revenue activity in either fund.

We recommend the Township include all debt issuances and other revenue activity in the budget for approval by the Board of Trustees.

FINDING NUMBER 2001-40847-004

Ohio Rev. Code Section 5705.36 requires in part that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the proceeding year.

In fiscal year 2001, the Township incorrectly included \$276,821 in estimated resources of the LaGrange Joint Park and Recreation Board, which is a separate governmental entity, in the total amount from all sources which was available for expenditures from each fund in the amounts they certified to the county auditor.

In fiscal year 2000, the Township incorrectly included \$50,000 in estimated resources of the LaGrange Joint Park and Recreation Board, which is a separate governmental entity, in the total amount from all sources which was available for expenditures from each fund in the amounts they certified to the county auditor.

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

**FINDING NUMBER 2001-40847-004
(Continued)**

Per Ohio Rev. Code Sections 505.24 and 507.09, the compensation of township trustees and clerks is based on the township's budget. 1999 Op. Att'y Gen. No. 99-015 states in part "for purposes of calculating the authorized compensation of the township trustees and the township clerk pursuant to R.C. 505.24 and R.C. 507.09, the term "budget" refers to the total amount of resources available to the township pursuant to the official certificate of estimated resources or amendments to the certificate."

Incorrectly including the LaGrange Joint Park and Recreation Board estimated resources on the Township's certificate of estimated resources may cause the Township Trustees and Clerk to be over compensated if these additional amounts force the budget into a range which provides a higher level of compensation. This did not occur during the period under audit.

The Township must take steps to ensure that only Township estimated resources are certified to the county auditor per the above Ohio Revised Code Sections.

**LAGRANGE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40847-001	Ohio Rev. Code Section 5705.41(D), failure to certify the availability of funds.	No	Not Corrected—Reissued as 2001-40847- 002
1999-40847-002	Ohio Rev. Code Section 5704.14, failure of Board to approve transfers of funds.	Yes	
1999-40847-003	Ohio Rev. Code Section 5705.41(B), expenditures exceeding appropriations.	No	Not Corrected—Reissued as 2001-40847- 001



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
DECEMBER 10, 2002**