



**Auditor of State
Betty Montgomery**

LEROY TOWNSHIP
LAKE COUNTY

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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, 2002 and December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit 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 Leroy Township, Lake County, Ohio, as of December 31, 2002 and December 31, 2001, 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 June 6, 2003 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 audit.

This report is intended solely for the information and use of the audit committee, 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 6, 2003

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**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, 2002**

	<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:					
Local Taxes	\$109,384	\$504,854	\$0	\$0	\$614,238
Intergovernmental	149,404	293,426			442,830
Licenses, Permits, and Fees	21,884				21,884
Charges for Services	4,564	20,713			25,277
Earnings on Investments	2,730				2,730
Other Revenue	23,711	38,080			61,791
Total Cash Receipts	<u>311,677</u>	<u>857,073</u>	<u>0</u>	<u>0</u>	<u>1,168,750</u>
Cash Disbursements:					
Current:					
General Government	188,659	3,519			192,178
Public Safety		344,271			344,271
Public Works		427,728			427,728
Health	35,510				35,510
Human Services	28,067				28,067
Conservation - Recreation	7,773				7,773
Debt Service:					
Redemption of Principal			41,262		41,262
Capital Outlay	12,508	35,991		305,242	353,741
Total Cash Disbursements	<u>272,517</u>	<u>811,509</u>	<u>41,262</u>	<u>305,242</u>	<u>1,430,530</u>
Total Receipts Over/(Under) Disbursements	<u>39,160</u>	<u>45,564</u>	<u>(41,262)</u>	<u>(305,242)</u>	<u>(261,780)</u>
Other Financing Receipts and (Disbursements):					
Proceeds of Notes				246,156	246,156
Transfers-In		65,823	41,262	65,209	172,294
Transfers-Out	(54,416)	(117,152)		(727)	(172,295)
Other Sources	11,242				11,242
Total Other Financing Receipts/(Disbursements)	<u>(43,174)</u>	<u>(51,329)</u>	<u>41,262</u>	<u>310,638</u>	<u>257,397</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,014)	(5,765)	0	5,396	(4,383)
Fund Cash Balances, January 1, 2002	<u>144,910</u>	<u>210,194</u>	<u>0</u>	<u>36,006</u>	<u>391,110</u>
Fund Cash Balances, December 31, 2002	<u>\$140,896</u>	<u>\$204,429</u>	<u>\$0</u>	<u>\$41,402</u>	<u>\$386,727</u>
Reserve for Encumbrances, December 31, 2002	<u>\$1,000</u>	<u>\$7,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$8,000</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, 2001**

	<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:					
Local Taxes	\$104,862	\$467,310	\$0	\$0	\$572,172
Intergovernmental	134,978	121,685			256,663
Licenses, Permits, and Fees	20,145				20,145
Charges for Services	5,646	13,589			19,235
Earnings on Investments	4,022				4,022
Other Revenue	23,619	32,131			55,750
	<u>293,272</u>	<u>634,715</u>	<u>0</u>	<u>0</u>	<u>927,987</u>
Cash Disbursements:					
Current:					
General Government	195,648	3,045			198,693
Public Safety		336,864			336,864
Public Works		201,368			201,368
Health	40,848				40,848
Human Services	34,645				34,645
Conservation - Recreation	4,046				4,046
Debt Service:					
Redemption of Principal			16,557		16,557
Capital Outlay	26,394	25,918		95,209	147,521
	<u>301,581</u>	<u>567,195</u>	<u>16,557</u>	<u>95,209</u>	<u>980,542</u>
Total Receipts Over/(Under) Disbursements	<u>(8,309)</u>	<u>67,520</u>	<u>(16,557)</u>	<u>(95,209)</u>	<u>(52,555)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In			16,557	117,811	134,368
Transfers-Out	(33,916)	(76,241)		(24,211)	(134,368)
Other Sources	13,981	57,000			70,981
	<u>(19,935)</u>	<u>(19,241)</u>	<u>16,557</u>	<u>93,600</u>	<u>70,981</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(28,244)	48,279	0	(1,609)	18,426
Fund Cash Balances, January 1, 2001	173,154	161,915	0	37,615	372,684
Fund Cash Balances, December 31, 2001	<u><u>\$144,910</u></u>	<u><u>\$210,194</u></u>	<u><u>\$0</u></u>	<u><u>\$36,006</u></u>	<u><u>\$391,110</u></u>
Reserve for Encumbrances, December 31, 2001	<u><u>\$2,000</u></u>	<u><u>\$3,000</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$5,000</u></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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Leroy Township, Lake 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 leisure time activities, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Lake County Sheriff's department provides security of persons and property for the Township.

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

B. 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 reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains at the time of sale are recorded as receipts.

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:

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:

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

Issue 2 Fund - This fund is used to account for Issue 2 funds used for paving roads.

3. Debt Service Funds

The debt service fund is used to accumulate the resources for the payment of bonds and note indebtedness. This fund receives transfers for the retirement of note debt on capital equipment purchases.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of 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.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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

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

Employees are entitled to cash payments for unused Vacation and Sick leave in certain circumstances, such as upon leaving employment. 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:

	2002	2001
Demand deposits	\$229,521	\$335,965
Certificates of deposit	157,206	55,145
Total deposits	386,727	391,110

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, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$310,408	\$322,919	\$12,511
Special Revenue	1,007,371	922,896	(84,475)
Debt Service	41,262	41,262	0
Capital Projects	406,586	311,365	(95,221)
Total	\$1,765,627	\$1,598,442	(\$167,185)

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$400,144	\$327,933	\$72,211
Special Revenue	985,150	935,661	49,489
Debt Service	41,262	41,262	0
Capital Projects	347,372	305,969	41,403
Total	<u>\$1,773,928</u>	<u>\$1,610,825</u>	<u>\$163,103</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$285,472	\$307,253	\$21,781
Special Revenue	883,303	691,715	(191,588)
Debt Service	16,557	16,557	0
Capital Projects	117,811	117,811	0
Total	<u>\$1,303,143</u>	<u>\$1,133,336</u>	<u>(\$169,807)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$402,860	\$337,497	\$65,363
Special Revenue	671,020	646,436	24,584
Debt Service	16,557	16,557	0
Capital Projects	155,426	119,420	36,006
Total	<u>\$1,245,863</u>	<u>\$1,119,910</u>	<u>\$125,953</u>

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

In 2001, the Township had a capital project fund in violation of Ohio Revised Code 5705.39.

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.

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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Four Year Bank Note	\$6,574	5.10%
Fire Department Radio Loan	46,633	9.90%
Fire Truck Note	246,156	4.50%
Lease-Purchase Ageement for Backhoe	<u>20,381</u>	3.50%
TOTAL	<u><u>\$319,744</u></u>	

The Four Year Bank Note was used to finance the purchase a John Deer Tractor for the Township's road department.

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 Lease-Purchase agreement is for four years and is for a Backhoe.

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

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

	Four Year Bank Note	Fire Department Radio Loan	Fire Truck Note
Year ending December 31:			
2003	\$7,225	\$13,075	\$41,773
2004		13,075	41,773
2005		13,075	41,773
2006		13,075	41,773
2007			41,773
2008-2009			83,546
Total	<u>\$7,225</u>	<u>\$52,300</u>	<u>\$292,411</u>

	Lease Purchase Agreement	Totals
Year ending December 31:		
2003	\$11,908	\$73,981
2004	11,432	\$66,280
2005		\$54,848
2006		\$54,848
2007		\$41,773
2008-2009		\$83,546
Total	<u>\$23,340</u>	<u>\$375,276</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) of Ohio. OP&F and OPERS 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 2002 and 2001, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT

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 \$59,682 in 2002 and \$54,252 in 2001. 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 \$40,448 in 2002 and \$31,872 in 2001. These amounts include overtime in all three departments.

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Auditor of State Betty Montgomery

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

Leroy Township
Lake County
5920 Paine Road
Painesville, Ohio 44077

We have audited the financial statements of Leroy Township, Lake County, Ohio, (the Township) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated June 6, 2003. 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 *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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001. We noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 6, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-002.

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. 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 to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. 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 June 6, 2003.

This report is intended for the information and use of the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 6, 2003

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

Finding Number	2002-001
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The Ohio Rev. Code Section 507.11(B), requires the Clerk-Treasurer and two Township Trustees to review and personally sign each check. The Clerk-Treasurer was using three stamps that had the individual signatures of the Clerk-Treasurer and two of the Trustees. The Clerk-Treasurer maintains custody of these stamps. This process circumvents the Ohio Revised Code, because the two trustees are not individually reviewing and personally signing every check.

Each check should be reviewed and signed by the Clerk-Treasurer and two of the Township Trustees.

REPORTABLE CONDITIONS

Finding Number	2002-002
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PAYROLL APPROVAL

During our review of payroll, we noted the following conditions;

- Approximately 30% of the time, the time cards were not stamped by the time clock for either the beginning or ending of the day. The times that were not stamped with the time clock were penciled in;
- In 2002, there were six out of 26 pay periods where their time sheets were not approved;
- One instance in 2002, where the overtime hours paid did not agree to the timesheets by one half hour;
- An employee was paid for three personal days in 2002, when they are only entitled to two a year. (This error was discovered and corrected in 2003); and
- The payroll checks are signed by the Clerk-Treasurer and two Trustees, however they are signed with stamps and the Clerk-Treasurer is the only one in possession of the stamps.

These problems could lead to errors or irregularities occurring and not being detected.

The township should ensure the time clock is properly used and the time cards are properly approved. The Clerk-Treasurer should closely monitor leave taken and not have possession of the trustees' stamps for signing township checks.



**Auditor of State
Betty Montgomery**

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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
JULY 22, 2003**