



**Auditor of State  
Betty Montgomery**



**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

LaGrange Township  
Lorain County  
353 South Center Street  
PO 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, 2003 and December 31, 2002. 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because the Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed 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 of the Township as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 2, the Township restated its beginning fund balance in the Special Revenue Fund and Agency Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 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 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 management, the Board of Trustees and other officials authorized to receive this report under Section 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 28, 2005

**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, 2003**

	Governmental Fund Types				Fiduciary Fund	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Agency	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$149,408	\$368,380	\$0	\$0	\$0	\$517,788
Charges for Services	0	67,919	0	0	0	67,919
Licenses, Permits, and Fees	12,293	9,675	0	0	10	21,978
Intergovernmental	128,227	184,723	0	44,426	85,322	442,698
Earnings on Investments	1,075	18	0	0	0	1,093
Miscellaneous	4,218	18,847	0	0	0	23,065
<b>Total Cash Receipts</b>	<b>295,221</b>	<b>649,562</b>	<b>0</b>	<b>44,426</b>	<b>85,332</b>	<b>1,074,541</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	163,988	13,562	0	0	0	177,550
Public Safety	0	223,000	0	0	0	223,000
Public Works	9,290	243,282	0	0	0	252,572
Health	0	33,991	0	0	0	33,991
Conservation-Recreation	0	96,542	0	0	17,499	114,041
Other	0	0	0	0	0	0
Capital Outlay	21,957	9,997	0	44,436	69,125	145,515
Debt Service:						
Redemption of Principal	0	0	405,809	0	0	405,809
Interest and Other Fiscal Charges	0	0	13,257	0	0	13,257
<b>Total Cash Disbursements</b>	<b>195,235</b>	<b>620,374</b>	<b>419,066</b>	<b>44,436</b>	<b>86,624</b>	<b>1,365,735</b>
Total Receipts Over/(Under) Disbursements	99,986	29,188	(419,066)	(10)	(1,292)	(291,194)
<b>Other Financing Receipts/(Disbursements)</b>						
Other Debt Proceeds	0	0	337,251	0	0	337,251
Transfers In	0	39,056	81,815	62,416	0	183,287
Transfers Out	(120,871)	(62,416)	0	0	0	(183,287)
Other Financing Uses	(8)	0	0	0	0	(8)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(120,879)</b>	<b>(23,360)</b>	<b>419,066</b>	<b>62,416</b>	<b>0</b>	<b>337,243</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(20,893)	5,828	0	62,406	(1,292)	46,049
Fund Cash Balances, January 1, 2003	234,816	337,971	0	10	1,360	574,157
<b>Fund Cash Balances, December 31, 2003</b>	<b>213,923</b>	<b>343,799</b>	<b>0</b>	<b>62,416</b>	<b>68</b>	<b>620,206</b>

**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, 2002**

	Governmental Fund Types				Fiduciary Fund	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Agency	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$145,032	\$369,959	\$0	\$0	\$0	\$514,991
Charges for Services	0	5,522	0	0	0	5,522
Licenses, Permits, and Fees	13,497	7,450	0	0	0	20,947
Intergovernmental	123,757	147,469	0	13,463	175,469	460,158
Earnings on Investments	6,464	2,405	0	0	640	9,509
Miscellaneous	3,333	10,274	0	0	5,134	18,741
<b>Total Cash Receipts</b>	<b>292,083</b>	<b>543,079</b>	<b>0</b>	<b>13,463</b>	<b>181,243</b>	<b>1,029,868</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	174,873	15,677	0	0	0	190,550
Public Safety	0	209,898	0	0	0	209,898
Public Works	8,960	241,672	0	0	0	250,632
Health	0	30,871	0	0	0	30,871
Conservation-Recreation	0	48,646	0	0	85,148	133,794
Capital Outlay	111,537	34,316	0	56,166	97,369	299,388
Debt Service:						
Redemption of Principal	21,282	0	52,039	0	0	73,321
Interest and Other Fiscal Charges	27,368	0	9,913	0	0	37,281
<b>Total Cash Disbursements</b>	<b>344,020</b>	<b>581,080</b>	<b>61,952</b>	<b>56,166</b>	<b>182,517</b>	<b>1,225,735</b>
Total Receipts Over/(Under) Disbursements	(51,937)	(38,001)	(61,952)	(42,703)	(1,274)	(195,867)
<b>Other Financing Receipts/(Disbursements)</b>						
Transfers In	0	51,804	61,565	31,050	0	144,419
Transfers Out	(72,321)	(72,098)	0	0	0	(144,419)
Advances In	7,000	0	0	0	0	7,000
Advances Out	0	(7,000)	0	0	0	(7,000)
Other Financing Uses	(50,002)	0	0	0	0	(50,002)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(115,323)</b>	<b>(27,294)</b>	<b>61,565</b>	<b>31,050</b>	<b>0</b>	<b>(50,002)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(167,260)	(65,295)	(387)	(11,653)	(1,274)	(245,869)
Fund Cash Balances, January 1, 2002	402,076	403,266	387	11,663	2,634	820,026
<b>Fund Cash Balances, December 31, 2002</b>	<b>234,816</b>	<b>337,971</b>	<b>0</b>	<b>10</b>	<b>1,360</b>	<b>574,157</b>

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

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

LaGrange Township, Lorain County, (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 Revised Code Section 755.14(B) which is a joint venture. The LaGrange Community 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 2003 and may dissolve the Board at any time, upon one year written notice to the Village. The Township served as fiscal agent for the LaGrange Joint Park and Recreation Board until November 2003. Financial information may be obtained by contacting Debbie Zarbaugh, Clerk-Treasurer, 355 South Center Street, 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**

The Township did not own investments during 2003 or 2002.

During 2002, the Township owned several certificates of deposit, which were valued at cost. At December 31, 2002 and December 31, 2003 the Township no longer owned a certificate of deposit.

**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, 2003 AND 2002  
(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 for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant special revenue Funds:

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

*Fire/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 Fund**

This fund is 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:

*Issue II Grant Fund* – This fund is used for permanent improvements to the Township.

**5. Fiduciary Funds (Agency Funds)**

This fund is used to account for resources for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

*LaGrange Community Park and Recreation Board* – This fund accounts for all activity for the Commission while the Township was the fiscal agent, which was until November 2003. This fund was added to the financial statements by the auditors and agreed upon by the Township.

*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.

**E. Budgetary Process**

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

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law during 2003 and 2002.

A summary of 2003 and 2002 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. RESTATEMENT OF FUND BALANCE**

The Township restated the January 1, 2002 fund balance in the Special Revenue Fund from \$331,364 to \$403,266. The increase of \$71,902 is due to the inclusion of monies that previously had been assigned to the Park Board.

The Township restated the January 1, 2002 fund balance in the Agency Fund from \$58 to \$2,634. The increase of \$2,576 is due to the Township disclosing the financial activity associated with the LaGrange Community Park and Recreation Board because the Township was acting as the fiscal agent for the Board.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. 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:

	2003	2002
Demand deposits	\$478,335	\$386,144
Money Market Savings Account	141,871	188,013
Total deposits and investments	\$620,206	\$574,157

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows: (Activity for the LaGrange Community Park and Recreation Board Agency Fund is not disclosed because the Township did not budget this fund.)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$279,954	\$295,221	\$15,267
Special Revenue	740,909	688,618	(52,291)
Debt Service	424,424	419,066	(5,358)
Capital Projects	97,850	106,842	8,992
Agency	2,575	10	(2,565)
Total	\$1,545,712	\$1,509,757	(\$35,955)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$500,000	\$316,114	\$183,886
Special Revenue	797,989	682,790	115,199
Debt Service	41,500	419,066	(377,566)
Capital Projects	0	44,436	(44,436)
Agency	2,900	0	2,900
Total	\$1,342,389	\$1,462,406	(\$120,017)

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$269,369	\$292,083	\$22,714
Special Revenue	690,041	594,883	(95,158)
Debt Service	50,000	61,565	11,565
Capital Projects	100,000	44,513	(55,487)
Agency	5,000	0	(5,000)
Total	\$1,114,410	\$993,044	(\$121,366)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$492,914	\$466,343	\$26,571
Special Revenue	918,300	653,178	265,122
Debt Service	50,000	61,952	(11,952)
Capital Projects	73,111	56,166	16,945
Agency	0	0	0
Total	\$1,534,325	\$1,237,639	\$296,686

The Township had expenditures in excess of appropriations at May 31, 2003, December 31, 2003, and December 31, 2002 contrary to Ohio Revised Code Section 5705.41(B).

The Township did not always certify the availability and encumber funds, prior to making any contract or ordering any expenditure of money, in either year under audit, contrary to Ohio Revised Code Section 5705.41(D).

The Township certified, to the county auditor, estimated resources which were not the Township's in fiscal year 2003 and 2002 in the Health District Fund, contrary to Ohio Revised Code Section 5705.36.

**5. 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 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.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Park Land Note	\$303,526	4.54%
Total	\$303,526	

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:

	Park Land Note
Year Ending December 31:	
2004	\$45,674
2005	45,703
2006	45,674
2007	45,673
2008	45,674
2009 - 2011	137,020
	365,418

**7. RETIREMENT SYSTEMS**

The Township's full-time certified Fire Fighters belong to the Ohio 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. 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 2003 and 2002, 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 for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

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

**8. RISK MANAGEMENT**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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, 2003 AND 2002  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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 from the General Reinsurance Corporation.

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 with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

Financial Position

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

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	<u>(11,791,300)</u>	<u>(9,197,512)</u>
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

**9. SUBSEQUENT EVENT**

The Township in conjunction with the Village of LaGrange has formed a community improvement corporation for the development of land. The Township transferred the title of land owned by the Township to the community improvement corporation.

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## **Auditor of State Betty Montgomery**

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

LaGrange Township  
Lorain County  
353 South Center Street  
PO Box 565  
LaGrange, Ohio 44050

To the Board of Trustees:

We have audited the financial statements of LaGrange Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated March 28, 2005, wherein we noted the Township restated their beginning fund balance in the Special Revenue Fund and Agency Fund. We also noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, and implemented, and, as requested, operates UAN. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to the Township's management in a separate letter dated March 28, 2005.

#### **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 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-004 and 2003-005.

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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. We consider item 2003-005 listed above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Township's management in a separate letter dated March 28, 2005.

This report is intended solely for the information and use of management, and the Board of Trustees. It is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

March 28, 2005

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

**Expenditures Exceeded Appropriations**

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. Budgetary expenditures as enacted by the Township may not exceed appropriations at the legal level of control (fund level) for all funds. The following funds had expenditures that exceeded appropriations during the year or at fiscal year end:

<u>Fund Description</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Difference</u>
<b><u>December 31, 2002</u></b>			
<b>Debt Service Fund</b>	\$50,000	\$61,952	(\$11,952)
<b>Capital Projects Fund</b>			
Issue II Grant Fund	0	13,463	(13,463)
<b><u>May 31, 2003</u></b>			
<b>Debt Service Fund</b>	41,500	377,297	(335,797)
<b><u>December 31, 2003</u></b>			
<b>Special Revenue Fund</b>			
Community Park Fund	0	96,506	(96,506)
<b>Debt Service Fund</b>	41,500	419,066	(377,566)
<b>Capital Projects Fund</b>			
Issue II Grant Fund	0	44,426	(44,426)

We recommend the Township verify that all expenditures have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control (fund level), to ensure compliance with the above requirements.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

**Encumbrance of Funds**

Ohio Revised Code Section 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township 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 (\$1,000 prior to April 7, 2003) 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.

Forty percent (24 out of 60) 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. In addition, we inspected all "Then and Now" certificates. We noted 32 of the 33 "Then and Now" certificates were above \$3,000 (\$1,000 prior to April 7, 2003) and were not properly approved by the Board of Trustees.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**FINDING NUMBER 2003-002 (Continued)**

**Encumbrance of Funds (Continued)**

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 Clerk-Treasurer 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) requires 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.

**FINDING NUMBER 2003-003**

**Noncompliance Citation**

**Issue II Project Accounting**

Ohio Revised Code Section 5705.09(F) provides that each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Ohio Revised Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Revised Code Section 5705.40 provides that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation for any purpose may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them.

During 2003 and 2002, the Ohio Public Works Commission expended \$44,426 and \$13,463 respectively, for an Issue II grant project on behalf of the Township. The Township established the proper fund and recorded the 2002 payment in their records. The 2003 payment was not included on the Township's records or annual financial report. In accordance with Auditor of State Bulletins 2000-008 and 2002-004, both the revenue and expenditure activity of the grant should have been included. In addition, the Township failed to appropriate the funds spent on their behalf as required by Auditor of State Bulletins 2000-008 and 2002-004 for both 2003 and 2002 as noted in finding 2003-001. This resulted in the understatement of budgetary revenue and expenditure activity for the Issue II project. The accompanying financial statements have been adjusted to reflect the grant activity.

When the Township receives notice that they have been approved for funding by a State or Federal agency, they should review the reporting requirements established by Auditor of State Bulletins 2000-008 and 2002-004, create the required fund(s), certify the available resources to the County budget commission, appropriate the grant funds, and when notified that funds have been expended on their behalf make memo entries to post the revenues and expenditures to the Township's books.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**FINDING NUMBER 2003-004**

**Reportable Condition**

**Timely Depositing**

Monies that are received by the Township are to be deposited into a designated depository within a reasonable amount of time. The Township should also have a cash collection policy specifying how monies are to be safeguarded.

During our test of intergovernmental receipts, we noted 76 receipts out of 162 tested, ranging from \$176 to \$21,872, in which the money was not deposited into the designated depository within three days of its receipt. We also noted the Township did not have a cash collection policy.

We recommend the Township deposit all funds within a reasonable amount of time and create a cash collection policy that establishes the proper safeguards for public money if it is not deposited with the Clerk or the designated depository within a reasonable amount of time.

**FINDING NUMBER 2003-005**

**Material Weakness**

**Cash Management**

During our audit of the Township's cash balance, receipts, and expenditures we noted various discrepancies. Due to these discrepancies, we performed proof of cash procedures. The following are the results of those procedures.

- Six checks were cashed during 2003, but voided in the system.
- One check was cashed during 2003 for \$78, but recorded in the system for \$100.
- One check was recorded in August of 2003, but physically written in September 2003 under a different check number than listed in the system.
- One check was written and cashed in February 2002 and then throughout 2002 had credits against it which were almost double the amount of the original check.
- One check number was utilized twice. The system listed the check as being paid to the same vendor in two separate months, but was paid to two different vendors in the same month.
- Five consecutive checks were issued and voided five times during September 2003. These checks were cashed on the sixth issuance.
- During 2002, we were unable to reconcile eight deposits out of 27. Of these eight deposits two had more revenue recorded in the ledgers than physically deposited. During 2003 we were unable to reconcile one deposit out of 28.
- During 2002, we noted three receipts and during 2003 we noted two expenditures that were recorded to force the book cash balance to equal the bank balance.
- At December 31, 2003 the Township listed five checks as outstanding. These checks had been cashed during December 2003.
- We were unable to reconcile five months in 2002 and seven months in 2003 within \$100. Many of these months had unexplained adjustments posted by the clerk to force the bank and book balances to equal.
- At the end of 2003 the fund balance was \$50 greater than the cash balance. At the end of 2002 the fund balance was \$280 greater than the cash balance.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**FINDING NUMBER 2003-005 (Continued)**

The Clerk should perform the following:

- Maintain monthly bank reconciliations and supporting documentation in an orderly manner.
- Prepare a pay-in and record the receipt of monies to the ledgers in a timely manner. In addition, ensure expenditure activity is recorded timely to minimize the use of manual checks.
- Reconcile daily deposits to receipts recorded in the ledgers.
- Review the monthly expenditure ledger and compare the current month's outstanding check list to the previous month's check list for obvious errors and omissions.
- Record corrections of errors in the month in which the errors occurred.
- Ensure all applicable reconciling items (e.g., earned interest not posted, deposits in transit, non-sufficient funds (NSF) checks, etc.) are incorporated into the monthly bank reconciliation.
- Maintain an adequate audit trail for the disposition of NSF and voided checks.

In addition, the Clerk/Treasurer should never record transactions to force the bank accounts and book balance to equal. Unreconciled differences should be investigated immediately and documentation should be maintained to support the disposition of these items. If an unreconciled difference cannot be identified the Township should consider obtaining assistance from a public accounting firm to investigate and determine the cause of the difference.

Lastly, reconciliations performed by the Clerk/Treasurer should be provided to the Board of Trustees monthly for review and approval. This will help ensure Township receipt and expenditure activity is properly accounted for, all reconciling items are properly supported, and minimize the risk of loss.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> ; <b>Explain</b>
2001-40847-001	Expenditures in Excess of Appropriations ORC § 5705.41(B)	No	Not corrected. Reissued as Finding 2003-001.
2001-40847-002	Proper Encumbering of Funds ORC § 5705.41(D)	No	Not corrected. Reissued as Finding 2003-002.
2001-40847-003	Appropriations in Excess of Estimated Resources ORC § 5705.39	Yes	
2001-40847-004	Certifying Revenue ORC § 5705.36	No	Not corrected. Reissued in the management letter.



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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  
SEPTEMBER 1, 2005**