



Mary Taylor, CPA
Auditor of State

**LEROY TOWNSHIP
LAKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	20

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Mary Taylor, CPA

Auditor of State

Leroy Township
Lake County
5920 Paine Road
Leroy Township, Ohio 44077

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

November 20, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Leroy Township
Lake County
5920 Paine Road
Leroy Township, 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, 2008 and December 31, 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and December 31, 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and December 31, 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Leroy Township, Lake County, Ohio, as of December 31, 2008 and December 31, 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 20, 2009

**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, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$153,613	\$702,279	\$0	\$0	\$855,892
Charges for Services	0	46,213	0	0	46,213
Licenses, Permits, and Fees	37,905	0	0	0	37,905
Fines and Forfeitures	35	0	0	0	35
Intergovernmental	126,372	326,455	0	54,964	507,791
Earnings on Investments	4,873	931	0	0	5,804
Miscellaneous	32,202	1,834	0	0	34,036
Total Cash Receipts	355,000	1,077,712	0	54,964	1,487,676
Cash Disbursements:					
Current:					
General Government	225,957	31,019	0	0	256,976
Public Safety	0	476,122	0	24,562	500,684
Public Works	21,489	298,357	0	54,964	374,810
Health	57,448	0	0	0	57,448
Human Services	29,208	0	0	0	29,208
Conservation - Recreation	8,428	0	0	0	8,428
Supplies and Materials	195	140,741	0	0	140,936
Capital Outlay	8,207	66,747	0	18,624	93,578
Debt Service:					
Redemption of Principal	0	0	69,827	0	69,827
Interest and Other Fiscal Charges	0	0	13,319	0	13,319
Total Cash Disbursements	350,932	1,012,986	83,146	98,150	1,545,214
Total Receipts Over/(Under) Disbursements	4,068	64,726	(83,146)	(43,186)	(57,538)
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	0	0	0	2,551	2,551
Transfers-In	0	84,419	83,146	39,079	206,644
Transfers-Out	(10,487)	(196,157)	0	0	(206,644)
Other Financing Sources	4,751	104	0	0	4,855
Total Other Financing Receipts / (Disbursements)	(5,736)	(111,634)	83,146	41,630	7,406
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(1,668)	(46,908)	0	(1,556)	(50,132)
Fund Cash Balances, January 1, 2008	131,398	297,211	0	35,639	464,248
Fund Cash Balances, December 31, 2008	\$129,730	\$250,303	\$0	\$34,083	\$414,116
Reserve for Encumbrances, December 31, 2008	\$2,000	\$5,892	\$0	\$0	\$7,892

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, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$150,199	\$727,986	\$0	\$0	\$878,185
Charges for Services	0	7,588	0	0	7,588
Licenses, Permits, and Fees	27,910	0	0	0	27,910
Fines and Forfeitures	20	0	0	0	20
Intergovernmental	138,471	192,494	0	0	330,965
Earnings on Investments	6,759	3,105	0	0	9,864
Miscellaneous	33,186	623	0	0	33,809
Total Cash Receipts	356,545	931,796	0	0	1,288,341
Cash Disbursements:					
Current:					
General Government	240,031	68,754	0	0	308,785
Public Safety	0	398,898	0	0	398,898
Public Works	2,000	317,308	0	0	319,308
Health	49,981	0	0	0	49,981
Human Services	30,143	0	0	0	30,143
Conservation - Recreation	659	0	0	0	659
Contract Services	5,000	0	0	0	5,000
Supplies and Materials	3,609	83,341	0	0	86,950
Capital Outlay	9,796	23,780	0	0	33,576
Debt Service:					
Redemption of Principal	0	0	89,582	0	89,582
Interest and Other Fiscal Charges	0	0	14,495	0	14,495
Total Cash Disbursements	341,219	892,081	104,077	0	1,337,377
Total Receipts Over/(Under) Disbursements	15,326	39,715	(104,077)	0	(49,036)
Other Financing Receipts / (Disbursements):					
Transfers-In	0	0	104,077	18,854	122,931
Transfers-Out	(10,000)	(110,931)	0	(2,000)	(122,931)
Other Financing Sources	8,340	2,620	0	0	10,960
Total Other Financing Receipts / (Disbursements)	(1,660)	(108,311)	104,077	16,854	10,960
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	13,666	(68,596)	0	16,854	(38,076)
Fund Cash Balances, January 1, 2007	117,732	365,807	0	18,785	502,324
Fund Cash Balances, December 31, 2007	\$131,398	\$297,211	\$0	\$35,639	\$464,248
Reserve for Encumbrances, December 31, 2007	\$2,000	\$15,726	\$0	\$0	\$17,726

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

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND DECEMBER 31, 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Leroy Township, Lake County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Lake County Sheriff's department provides security of persons and property for the Township.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND DECEMBER 31, 2007
(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.

3. Debt Service Funds

This fund accounts for resources the Township accumulates to pay bond and note debt. This fund receives transfers for the retirement of note debt on capital equipment purchases.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project funds:

Issue II Fund - The Township received a grant from the State of Ohio for various road projects.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND DECEMBER 31, 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Investments

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

	2007	2008
Demand deposits	\$464,248	\$414,116
Total deposits	\$464,248	\$414,116

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and December 31, 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$356,746	\$359,751	\$3,005
Special Revenue	1,172,666	1,162,235	(10,431)
Debt Service	83,146	83,146	0
Capital Projects	130,851	96,594	(34,257)
Total	\$1,743,409	\$1,701,726	(\$41,683)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$407,971	\$363,419	\$44,552
Special Revenue	1,268,249	1,215,035	53,214
Debt Service	83,146	83,146	0
Capital Projects	173,939	98,150	75,789
Total	\$1,933,305	\$1,759,750	\$173,555

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND DECEMBER 31, 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$292,642	\$364,885	\$72,243
Special Revenue	1,130,825	934,416	(196,409)
Debt Service	104,077	104,077	0
Capital Projects	133,864	18,854	(115,010)
Total	\$1,661,408	\$1,422,232	(\$239,176)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$391,818	\$353,219	\$38,599
Special Revenue	1,152,260	1,018,738	133,522
Debt Service	104,077	104,077	0
Capital Projects	122,647	2,000	120,647
Total	\$1,770,802	\$1,478,034	\$292,768

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Township.

Tangible property taxes are levied after October 1, on the value as of December 31. Collections are made in the subsequent year. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

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

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND DECEMBER 31, 2007
(Continued)**

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
2002 Fire Truck Note	\$39,974	4.50%
2006 Mack Truck Loan	47,392	5.02%
Total	\$87,366	

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

The Mack Truck loan was used to purchase a Mack Truck and is a seven year loan.

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

	Fire Truck Note	Mack Truck Loan	Total
Year ending December 31:			
2009	\$41,773	\$13,407	\$55,180
2010	0	13,407	13,407
2011	0	13,406	13,406
2012	0	13,406	13,406
Total	\$41,773	\$53,626	\$95,399

6. Retirement Systems

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

7. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND DECEMBER 31, 2007
(Continued)**

7. Risk Management (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (APRCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by APRCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Retained earnings	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$19,492.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND DECEMBER 31, 2007
(Continued)**

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2007	\$19,852
2008	\$22,665

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Related Party Transactions

Richard Van Pelt, Jr., is the son of Township Trustee Richard Van Pelt, Sr. Richard Van Pelt, Jr. works on the Township's roads, parks, and cemetery and was paid \$61,224 in 2008 and \$66,140 in 2007. These amounts include overtime in all three departments.

Jason Rodgers, is the son of Fiscal Officer Sharon Rodgers. Jason Rodgers works on the Township's roads, parks, and cemetery and was paid \$44,153 in 2008 and \$41,154 in 2007. These amounts include overtime in all three departments.

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Mary Taylor, CPA

Auditor of State

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

Leroy Township
Lake County
5920 Paine Road
Leroy Township, Ohio 44077

To the Board of Trustees:

We have audited the financial statements of Leroy Township, Lake County, Ohio (the Township) as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated November 20, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Township's management in a separate letter dated November 20, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 20, 2009.

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

November 20, 2009

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND DECEMBER 31, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Transfers – Noncompliance Citation

Ohio Revised Code Sections 5705.05-.06, 5705.14, 5705.15, and 5705.16 states, no transfer can be made from one fund of a subdivision to any other fund, except as follows:

- The unexpended balance in a bond fund [i.e. a capital project fund financed with bond proceeds] that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.
- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
- The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- Money may be transferred from the general fund to any other fund of the subdivision.

Based on our testing, we noted that the Township transferred monies from the following funds in contradiction of the above Ohio Revised Code Sections:

- In 2007, the Township transferred \$27,610 from the Gas Tax Special Revenue Fund to the Issue II Capital Projects Fund.
- In 2008, the Township transferred \$23,217 from the Gas Tax Special Revenue Fund to the Capital Improvement Road Capital Projects Fund and \$3,591 from the Gas Tax Special Revenue Fund to the Issue II Capital Projects Fund.

This may result in the improper use of Township funds.

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Financial reports and revenue and expense ledgers should be reviewed to ensure they accurately reflect the financial activity of the Township.

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-001 (Continued)

Transfers – Noncompliance Citation (Continued)

During our testing we noted numerous miss-postings and made several adjustments to transfers in the financial statements.

These variances inhibit management's and the Board of Trustees' ability to determine the accuracy and completeness of the Township's financial reporting.

We recommend the Township Board of Trustees review transfers prior to approval to ensure that they conform with the above Revised Code sections.

The audited statements reflect adjustments for the matters described above.

OFFICIAL'S RESPONSE

The Township will make all audit adjustments to the Township's records and implement the recommendations noted above.

FINDING NUMBER 2008-002

Allocation of Interest – Noncompliance Citation

Ohio Revised Code Section 135.21 provides for the allocation of interest among funds. Interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs (including undivided tax funds).

- Interest earned on money received from the federal government may be due to the fund to which the principal belongs.

All interest earned must be allocated to the General Fund, with the following exceptions:

- Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. [Article XII, Section 5a, Ohio Const. and 1982 Op. Atty Gen. No. 82-031.]
- Interest earned on money received from the federal government may be due to the fund to which the principal belongs.

During 2007 and 2008, the Village did not post interest income in accordance with the above requirements. This resulted in the following errors:

- Interest income was overstated in the General fund by \$3,105 and understated in the Motor Vehicle and Gasoline Tax special revenue funds by \$501 and \$2,603, respectively, in fiscal year 2007.

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

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

FINDING NUMBER 2008-002 (Continued)

Allocation of Interest – Noncompliance Citation (Continued)

We recommend the Fiscal Officer review all transactions to ensure that every transaction is posted to the proper fund and line item in accordance with the above requirements.

The audited statements reflect adjustments for the matters described above.

OFFICIAL'S RESPONSE

The Township will make all audit adjustments to the Township's records and implement the recommendations noted above.

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Finding for recovery against one road department employee.	Yes	



Mary Taylor, CPA
Auditor of State

LEROY TOWNSHIP

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 22, 2009**