



Mary Taylor, CPA
Auditor of State

**LEROY TOWNSHIP
LAKE COUNTY**

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Mary Taylor, CPA

Auditor of State

Leroy Township
Lake County
5920 Paine Road
Leroy Township, OH 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 6, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Leroy Township
Lake County
5920 Paine Road
Leroy Township, OH 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, 2006 and December 31, 2005. 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, 2006 and December 31, 2005 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, 2006 and December 31, 2005, 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, 2006 and December 31, 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Due to the reclassification of the Public Works Issue II fund from a Special Revenue fund to a Capital Projects fund, the Township restated December 31, 2004 fund balances as described in Note 2.

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 6, 2007, 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.



Mary Taylor, CPA
Auditor of State

November 6, 2007

**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, 2006**

	<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	\$141,527	\$697,691	\$0	\$0	\$839,218
Charges for Services	0	16,310	0	0	16,310
Licenses, Permits, and Fees	33,048	0	0	0	33,048
Fines and Forfeitures	80	0	0	0	80
Intergovernmental	102,674	685,353	0	0	788,027
Earnings on Investments	8,760	0	0	0	8,760
Miscellaneous	24,387	438	0	0	24,825
Total Cash Receipts	310,476	1,399,792	0	0	1,710,268
Cash Disbursements:					
Current:					
General Government	201,122	5,252	0	0	206,374
Public Safety	0	387,018	0	0	387,018
Public Works	3,998	307,231	0	78,500	389,729
Health	48,627	0	0	0	48,627
Human Services	30,585	0	0	0	30,585
Conservation - Recreation	13,041	0	0	0	13,041
Contract Services	3,800	0	0	0	3,800
Supplies and Materials	4,000	75,958	0	0	79,958
Capital Outlay	3,168	304,880	0	68,346	376,394
Debt Service:					
Redemption of Principal	0	0	100,954	0	100,954
Interest and Other Fiscal Charges	0	0	16,197	0	16,197
Total Cash Disbursements	308,341	1,080,339	117,151	146,846	1,652,677
Total Receipts Over/(Under) Disbursements	2,135	319,453	(117,151)	(146,846)	57,591
Other Financing Receipts / (Disbursements):					
Sale of Notes	0	78,500	0	0	78,500
Sale of Fixed Assets	0	0	0	25,000	25,000
Transfers-In	0	254,896	117,151	101,742	473,789
Transfers-Out	(13,075)	(451,059)	0	(9,655)	(473,789)
Other Financing Sources	12,282	2,562	0	0	14,844
Total Other Financing Receipts / (Disbursements)	(793)	(115,101)	117,151	117,087	118,344
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	1,342	204,352	0	(29,759)	175,935
Fund Cash Balances, January 1, 2006	116,390	161,455	0	48,544	326,389
Fund Cash Balances, December 31, 2006	\$117,732	\$365,807	\$0	\$18,785	\$502,324
Reserve for Encumbrances, December 31, 2006	\$2,000	\$12,000	\$0	\$0	\$14,000

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, 2005**

	<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	\$137,963	\$632,268	\$0	\$0	\$770,231
Charges for Services	0	6,658	0	0	6,658
Licenses, Permits, and Fees	28,116	0	0	0	28,116
Intergovernmental	144,211	172,421	0	7,513	324,145
Earnings on Investments	5,011	0	0	0	5,011
Miscellaneous	28,122	20,802	0	0	48,924
Total Cash Receipts	<u>343,423</u>	<u>832,149</u>	<u>0</u>	<u>7,513</u>	<u>1,183,085</u>
Cash Disbursements:					
Current:					
General Government	189,107	3,975	0	0	193,082
Public Safety	0	390,487	0	1,468	391,955
Public Works	18,388	274,001	0	0	292,389
Health	39,098	0	0	0	39,098
Human Services	33,772	0	0	0	33,772
Conservation - Recreation	8,227	0	0	0	8,227
Supplies and Materials	0	24,645	0	0	24,645
Capital Outlay	5,824	34,518	0	6,000	46,342
Debt Service:					
Redemption of Principal	0	0	85,112	0	85,112
Interest and Other Fiscal Charges	0	0	18,633	0	18,633
Total Cash Disbursements	<u>294,416</u>	<u>727,626</u>	<u>103,745</u>	<u>7,468</u>	<u>1,133,255</u>
Total Receipts Over/(Under) Disbursements	<u>49,007</u>	<u>104,523</u>	<u>(103,745)</u>	<u>45</u>	<u>49,830</u>
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	0	0	0	1,650	1,650
Transfers-In	0	15,728	103,745	3,892	123,365
Transfers-Out	(13,075)	(94,562)	0	(15,728)	(123,365)
Other Financing Sources	34	1,000	0	0	1,034
Total Other Financing Receipts / (Disbursements)	<u>(13,041)</u>	<u>(77,834)</u>	<u>103,745</u>	<u>(10,186)</u>	<u>2,684</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	35,966	26,689	0	(10,141)	52,514
Fund Cash Balances, January 1, 2005	80,424	134,766	0	58,685	273,875
Fund Cash Balances, December 31, 2005	<u><u>\$116,390</u></u>	<u><u>\$161,455</u></u>	<u><u>\$0</u></u>	<u><u>\$48,544</u></u>	<u><u>\$326,389</u></u>
Reserve for Encumbrances, December 31, 2005	<u>\$250</u>	<u>\$7,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,250</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, 2006 AND DECEMBER 31, 2005**

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. Cash and Investments

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from 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, 2006 AND DECEMBER 31, 2005
(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:

Road Capital Equipment – This fund purchases equipment for the use in repairing roads.

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, 2006 AND DECEMBER 31, 2005
(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. Restatement of Fund Balances

The Township reclassified a Public Works Issue II Fund from a Special Revenue Fund to a Capital Projects Fund. This restatement had the following effect on the December 31, 2004 fund balance:

	Special Revenue	Capital Project
Fund Balance, December 31, 2004	\$138,981	\$54,470
Reclassification	(4,215)	4,215
Adjusted Fund Balance, December 31, 2004	\$134,766	\$58,685

3. 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:

	2005	2006
Demand deposits	\$326,389	\$502,324
Total deposits	\$326,389	\$502,324

Deposits: Deposits are 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, 2006 and December 31, 2005 follows:

Fund Type	2006 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$323,709	\$322,758	(\$951)
Special Revenue	1,714,799	1,735,750	20,951
Debt Service	117,151	117,151	0
Capital Projects	141,742	126,742	(15,000)
Total	\$2,297,401	\$2,302,401	\$5,000

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

4. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$372,362	\$323,416	\$48,946
Special Revenue	1,648,313	1,543,398	104,915
Debt Service	117,151	117,151	0
Capital Projects	175,284	156,501	18,783
Total	<u>\$2,313,110</u>	<u>\$2,140,466</u>	<u>\$172,644</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$320,270	\$343,457	\$23,187
Special Revenue	832,051	848,877	16,826
Debt Service	103,745	103,745	0
Capital Projects	33,892	13,055	(20,837)
Total	<u>\$1,289,958</u>	<u>\$1,309,134</u>	<u>\$19,176</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$330,548	\$307,741	\$22,807
Special Revenue	857,274	829,188	28,086
Debt Service	103,745	103,745	0
Capital Projects	57,361	23,196	34,165
Total	<u>\$1,348,928</u>	<u>\$1,263,870</u>	<u>\$85,058</u>

5. 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 20th.

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 30th.

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, 2006 AND DECEMBER 31, 2005
(Continued)**

6. Debt

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Fire Truck Note	\$114,832	4.50%
Fire Department Emergency Vehicle	19,755	5.95%
International Dump Truck Loan	51,891	5.15%
Mack Truck Loan	67,758	5.02%
Total	\$254,236	

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

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

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

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	Fire Emergency Vehicle	International Dump Truck Loan
Year ending December 31:			
2007	\$41,773	\$20,931	\$27,966
2008	41,773	0	27,966
2009	41,773	0	0
2010	0	0	0
2011	0	0	0
2012	0	0	0
Total	\$125,319	\$20,931	\$55,932

	Mack Truck Loan	Total
Year ending December 31:		
2007	\$13,407	\$104,077
2008	13,407	83,146
2009	13,407	55,180
2010	13,407	13,407
2011	13,406	13,406
2012	13,406	13,406
Total	\$80,440	\$282,622

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

7. 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 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

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 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.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

8. Risk Management (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$28,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**LEROY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

8. Risk Management (Continued)

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.

<u>Contributions to OTARMA</u>	
2004	\$12,747
2005	\$12,189
2006	\$13,955

9. 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 \$61,487 in 2006 and \$60,366 in 2005. These amounts include overtime in all three departments.

Jason Rodgers, is the son of Clerk-Treasurer Sharon Rodgers. Jason Rodgers works on the Township's roads, parks, and cemetery and was paid \$39,090 in 2006 and \$41,451 in 2005. These amounts include overtime in all three departments.



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, OH 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, 2006 and December 31, 2005, and have issued our report thereon dated November 6, 2007, wherein we noted the Township restated December 31, 2004 fund balances due to the reclassification of the Public Works Issue II fund from a Special Revenue fund to a Capital Projects fund. We also noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

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 6, 2007.

The Township's response to the finding 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.



Mary Taylor, CPA
Auditor of State

November 6, 2007

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND DECEMBER 31, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Finding for Recovery (Repaid Under Audit)

Payroll Overpayment

During the review of payroll transactions, we noted one road department employee was overpaid for the payroll period ending December 19, 2005.

We noted Jason Rodgers was overpaid nine hours at a rate of \$14.25. The overpayment was the result of correcting Mr. Rodgers payroll for pay period ending August 1, 2005. The initial error was corrected for the pay period ending August 15, 2005 and then improperly corrected a second time for the pay period ending December 19, 2005.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jason Rodgers, Road Department Employee, in favor of Leroy Township and in the amount of \$128.25, calculated as listed below.

Hours Overpaid	9
Hourly Rate	<u>\$14.25</u>
	<u><u>\$128.25</u></u>

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

The above finding for recovery was repaid in full to Leroy Township via a payroll deduction on October 8, 2007 and credited to the Road fund.

Official's Response:

This finding for recovery has been repaid and the Township is taking action to ensure further errors are not made.

**LEROY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Finding for recovery against two road department employee.	Yes	
2004-002	ORC 5705.41(D) – The Township did not properly encumber all expenditures prior to receiving the goods or services.	No	Comment Repeated in the Management Letter.
2004-003	Condition of Financial Records – Various errors and inconsistencies were noted in the Township’s ledgers.	Yes	
2004-004	Payroll Procedures – The Township should utilize time clocks.	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 11, 2007