



Mary Taylor, CPA  
Auditor of State



**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

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**Mary Taylor, CPA**  
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LaGrange Township  
Lorain County  
353 South Center Street  
PO Box 565  
LaGrange, Ohio 44050

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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 16, 2007

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# Mary Taylor, CPA

Auditor of State

## 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, 2005 and December 31, 2004. 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. The Township processes its financial transactions with 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 audit 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 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 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2005 and December 31, 2004 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, 2005 and December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of LaGrange Township, Lorain County, Ohio, as of December 31, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2005 and December 31, 2004. 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 October 16, 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

October 16, 2007



**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

|  | Governmental Fund Types |                    |                 |                     | Fiduciary<br>Fund | Totals<br>(Memorandum<br>Only) |
|--|-------------------------|--------------------|-----------------|---------------------|-------------------|--------------------------------|
|  | General                 | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Agency            |                                |
| <b>Cash Receipts:</b>  |                         |                    |                 |                     |                   |                                |
| Property Tax and Other Local Taxes   | \$164,538               | \$448,012          | \$0             | \$0                 | \$0               | \$612,550                      |
| Charges for Services   | 0                       | 67,130             | 0               | 0                   | 0                 | 67,130                         |
| Licenses, Permits, and Fees  | 17,393                  | 13,930             | 0               | 0                   | 0                 | 31,323                         |
| Intergovernmental  | 121,221                 | 175,133            | 0               | 24,212              | 0                 | 320,566                        |
| Earnings on Investments  | 19,599                  | 1,054              | 0               | 2,855               | 0                 | 23,508                         |
| Miscellaneous  | 3,774                   | 21,803             | 0               | 0                   | 0                 | 25,577                         |
| <b>Total Cash Receipts</b>   | <b>326,525</b>          | <b>727,062</b>     | <b>0</b>        | <b>27,067</b>       | <b>0</b>          | <b>1,080,654</b>               |
| <b>Cash Disbursements:</b>   |                         |                    |                 |                     |                   |                                |
| Current:   |                         |                    |                 |                     |                   |                                |
| General Government   | 205,812                 | 1,000              | 0               | 0                   | 0                 | 206,812                        |
| Public Safety  | 0                       | 234,341            | 0               | 0                   | 0                 | 234,341                        |
| Public Works   | 34,438                  | 211,059            | 0               | 0                   | 0                 | 245,497                        |
| Health   | 0                       | 41,657             | 0               | 0                   | 0                 | 41,657                         |
| Conservation-Recreation  | 0                       | 62,310             | 0               | 0                   | 0                 | 62,310                         |
| Capital Outlay   | 29,174                  | 108,520            | 0               | 24,212              | 0                 | 161,906                        |
| Debt Service:  |                         |                    |                 |                     |                   |                                |
| Redemption of Principal  | 0                       | 0                  | 33,737          | 0                   | 0                 | 33,737                         |
| Interest and Other Fiscal Charges  | 0                       | 0                  | 11,937          | 0                   | 0                 | 11,937                         |
| <b>Total Cash Disbursements</b>  | <b>269,424</b>          | <b>658,887</b>     | <b>45,674</b>   | <b>24,212</b>       | <b>0</b>          | <b>998,197</b>                 |
| <b>Total Receipts Over/(Under) Disbursements</b>   | <b>57,101</b>           | <b>68,175</b>      | <b>(45,674)</b> | <b>2,855</b>        | <b>0</b>          | <b>82,457</b>                  |
| <b>Other Financing Receipts/(Disbursements)</b>  |                         |                    |                 |                     |                   |                                |
| Transfers In   | 0                       | 38,820             | 45,837          | 67,130              | 0                 | 151,787                        |
| Transfers Out  | (84,657)                | (67,130)           | 0               | 0                   | 0                 | (151,787)                      |
| Other Financing Uses   | (3,900)                 | 0                  | 0               | 0                   | 0                 | (3,900)                        |
| <b>Total Other Financing Receipts/(Disbursements)</b>  | <b>(88,557)</b>         | <b>(28,310)</b>    | <b>45,837</b>   | <b>67,130</b>       | <b>0</b>          | <b>(3,900)</b>                 |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>And Other Financing Disbursements | (31,456)                | 39,865             | 163             | 69,985              | 0                 | 78,557                         |
| Fund Cash Balances, January 1, 2005  | 216,189                 | 434,358            | 0               | 119,496             | 376               | 770,419                        |
| <b>Fund Cash Balances, December 31, 2005</b>   | <b>184,733</b>          | <b>474,223</b>     | <b>163</b>      | <b>189,481</b>      | <b>376</b>        | <b>848,976</b>                 |

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

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|  | Governmental Fund Types |                    |                 |                     | Fiduciary<br>Fund | Totals<br>(Memorandum<br>Only) |
|--|-------------------------|--------------------|-----------------|---------------------|-------------------|--------------------------------|
|  | General                 | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Agency            |                                |
| <b>Cash Receipts:</b>  |                         |                    |                 |                     |                   |                                |
| Property Tax and Other Local Taxes   | \$159,749               | \$396,041          | \$0             | \$0                 | \$0               | \$555,790                      |
| Charges for Services   | 0                       | 88,083             | 0               | 0                   | 0                 | 88,083                         |
| Licenses, Permits, and Fees  | 12,862                  | 18,933             | 0               | 0                   | 383               | 32,178                         |
| Intergovernmental  | 129,199                 | 161,912            | 0               | 52,659              | 0                 | 343,770                        |
| Earnings on Investments  | 2,752                   | 264                | 0               | 589                 | 0                 | 3,605                          |
| Miscellaneous  | 3,147                   | 24,324             | 0               | 0                   | 0                 | 27,471                         |
| <b>Total Cash Receipts</b>   | <b>307,709</b>          | <b>689,557</b>     | <b>0</b>        | <b>53,248</b>       | <b>383</b>        | <b>1,050,897</b>               |
| <b>Cash Disbursements:</b>   |                         |                    |                 |                     |                   |                                |
| Current:   |                         |                    |                 |                     |                   |                                |
| General Government   | 184,746                 | 5,677              | 0               | 0                   | 0                 | 190,423                        |
| Public Safety  | 0                       | 248,968            | 0               | 0                   | 0                 | 248,968                        |
| Public Works   | 9,998                   | 238,691            | 0               | 0                   | 0                 | 248,689                        |
| Health   | 0                       | 37,291             | 0               | 0                   | 0                 | 37,291                         |
| Conservation-Recreation  | 0                       | 37,928             | 0               | 0                   | 0                 | 37,928                         |
| Capital Outlay   | 38,612                  | 0                  | 0               | 52,658              | 75                | 91,345                         |
| Debt Service:  |                         |                    |                 |                     |                   |                                |
| Redemption of Principal  | 0                       | 0                  | 32,223          | 0                   | 0                 | 32,223                         |
| Interest and Other Fiscal Charges  | 0                       | 0                  | 13,450          | 0                   | 0                 | 13,450                         |
| <b>Total Cash Disbursements</b>  | <b>233,356</b>          | <b>568,555</b>     | <b>45,673</b>   | <b>52,658</b>       | <b>75</b>         | <b>900,317</b>                 |
| <b>Total Receipts Over/(Under) Disbursements</b>   | <b>74,353</b>           | <b>121,002</b>     | <b>(45,673)</b> | <b>590</b>          | <b>308</b>        | <b>150,580</b>                 |
| <b>Other Financing Receipts/(Disbursements)</b>  |                         |                    |                 |                     |                   |                                |
| Transfers In   | 0                       | 26,047             | 45,673          | 56,490              | 0                 | 128,210                        |
| Transfers Out  | (71,720)                | (56,490)           | 0               | 0                   | 0                 | (128,210)                      |
| Other Financing Uses   | (367)                   | 0                  | 0               | 0                   | 0                 | (367)                          |
| <b>Total Other Financing Receipts/(Disbursements)</b>  | <b>(72,087)</b>         | <b>(30,443)</b>    | <b>45,673</b>   | <b>56,490</b>       | <b>0</b>          | <b>(367)</b>                   |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>And Other Financing Disbursements | 2,266                   | 90,559             | 0               | 57,080              | 308               | 150,213                        |
| Fund Cash Balances, January 1, 2004  | 213,923                 | 343,799            | 0               | 62,416              | 68                | 620,206                        |
| <b>Fund Cash Balances, December 31, 2004</b>   | <b>216,189</b>          | <b>434,358</b>     | <b>0</b>        | <b>119,496</b>      | <b>376</b>        | <b>770,419</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, 2005 AND 2004**

**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 the LaGrange Township, Lorain County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. 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 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. Financial information may be obtained by contacting Debbie Zarbaugh, Clerk-Treasurer, 355 South Center Street, LaGrange, Ohio 44050.

LaGrange Township and the Village of LaGrange formed a joint community improvement corporation in 2005 pursuant to Ohio Revised Code Section 1724 which is a joint venture. The LaGrange Community Improvement Corporation is governed by a Board of Directors which consists of three to five members. The Village and Township are entitled to appoint two members with the fifth member being appointed by a majority vote of the other Board members. At any point in time at least 40% of the Board members must be elected officials of the Village or Township. The Corporation was formed for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of 38.96 acres of property jointly owned by LaGrange Township and the Village of LaGrange.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. 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 did not own investments during 2005 or 2004.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**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 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 accounts for receipts restricted to acquiring or constructing 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 Fund**

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for the three percent assessment of permit fees to the Board of Building Standards.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department, and division and within each the amount appropriated for personal services, 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 2005 and 2004.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**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**

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

|                              | <u>2005</u>      | <u>2004</u>      |
|------------------------------|------------------|------------------|
| Demand deposits              | \$161,317        | \$372,542        |
| Money Market Savings Account | 687,659          | 397,877          |
| Total deposits               | <u>\$848,976</u> | <u>\$770,419</u> |

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

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and December 31, 2004 follows:

| 2005 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$260,970            | \$326,525          | \$65,555  |
| Special Revenue                   | 695,018              | 765,882            | 70,864    |
| Debt Service                      | 47,380               | 45,837             | (1,543)   |
| Capital Projects                  | 206,500              | 94,197             | (112,303) |
| Agency                            | 2,060                | 0                  | (2,060)   |
| Total                             | \$1,211,928          | \$1,232,441        | \$20,513  |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$476,524                  | \$357,981                 | \$118,543 |
| Special Revenue                                       | 1,129,944                  | 726,017                   | 403,927   |
| Debt Service  | 47,380                     | 45,674                    | 1,706     |
| Capital Projects                                      | 220,886                    | 24,212                    | 196,674   |
| Agency  | 2,000                      | 0                         | 2,000     |
| Total   | \$1,876,734                | \$1,153,884               | \$722,850 |

| 2004 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$298,795            | \$307,709          | \$8,914   |
| Special Revenue                   | 662,394              | 715,604            | 53,210    |
| Debt Service                      | 50,340               | 45,673             | (4,667)   |
| Capital Projects                  | 175,000              | 109,738            | (65,262)  |
| Agency                            | 2,000                | 383                | (1,617)   |
| Total                             | \$1,188,529          | \$1,179,107        | (\$9,422) |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$419,500                  | \$305,443                 | \$114,057 |
| Special Revenue                                       | 846,792                    | 625,045                   | 221,747   |
| Debt Service  | 50,340                     | 45,673                    | 4,667     |
| Capital Projects                                      | 100,000                    | 52,658                    | 47,342    |
| Agency  | 2,000                      | 75                        | 1,925     |
| Total   | \$1,418,632                | \$1,028,894               | \$389,738 |

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

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).

Contrary to Ohio Revised Code Section 5705.41(B)(D) the Township had one fund at December 31, 2005 and one fund at December 31, 2004 where expenditures exceeded appropriations.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted the 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, pay 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 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.

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

|                | <u>Principal</u>        | <u>Interest Rate</u> |
|----------------|-------------------------|----------------------|
| Park Land Note | <u>\$237,539</u>        | 4.54%                |
| Total          | <u><u>\$237,539</u></u> |                      |

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

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. DEBT (Continued)**

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

|                          | Park Land<br>Note |
|--------------------------|-------------------|
| Year Ending December 31: |                   |
| 2006                     | \$45,674          |
| 2007                     | 45,673            |
| 2008                     | 45,674            |
| 2009                     | 45,673            |
| 2010                     | 45,674            |
| 2011                     | 45,673            |
|                          | 274,041           |

**6. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employee 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 2005 and 2004, 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 2005 and 2004. The Township has paid all contributions required through December 31, 2005.

Effective August 3, 1992, any new part-time Township firefighters are no longer covered by OPERS and must contribute to social security. The Township's liability is 6.2 percent of wages paid.

**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.

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 townships 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, 2005 AND 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Casualty Coverage

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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 value. 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 2005 was \$1,682,589.

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.

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, 2005 and 2004.

| <u>Casualty Coverage</u> | <u>2005</u>         | <u>2004</u>         |
|--------------------------|---------------------|---------------------|
| Assets                   | \$30,485,638        | \$28,132,620        |
| Liabilities              | <u>(12,344,576)</u> | <u>(11,086,379)</u> |
| Retained earnings        | <u>\$18,141,062</u> | <u>\$17,046,241</u> |

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

| <u>Property Coverage</u> | <u>2005</u>        | <u>2004</u>        |
|--------------------------|--------------------|--------------------|
| Assets                   | \$9,177,796        | \$7,588,343        |
| Liabilities              | (1,406,031)        | (543,176)          |
| Retained earnings        | <u>\$7,771,765</u> | <u>\$7,045,167</u> |

The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$70,670. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

| <b><u>Township Contributions to OTARMA</u></b> |          |
|--|----------|
| 2003   | \$33,384 |
| 2004   | \$35,198 |
| 2005   | \$35,335 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must 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 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 was incurred or reported prior to the withdrawal.



# 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*

LaGrange Township  
Lorain County  
353 South Center Street  
P.O. 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, 2005 and December 31, 2004, and have issued our report thereon dated October 16, 2007, 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 also noted the Township used the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, 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 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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. A reportable condition is described in the accompanying schedule of findings as item 2005-003.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Township's management dated October 16, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **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 2005-001 and 2005-002. In a separate letter to the Township's management dated October 16, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 16, 2007

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

**Encumbrance of Funds**

Ohio Rev. 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 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 the contract or order was made ("then"), and at the time 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 Board can authorize the drawing of a warrant for the payment of the amount due. The Board 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 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 Board.

**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. 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 Board 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-Three percent (30 out of 69) of the expenditures tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the Board followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**FINDING NUMBER 2005-001 (Continued)**

**Encumbrance of Funds (Continued)**

**3. Super Blanket Certificate (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 purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Board's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify the funds are or will be available prior to obligation by the Board. When prior certification is not possible, "then and now" certification should be used.

We recommend the Board 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 Board 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. The fiscal officer should deny payment for any expenditure without prior certification.

Official's Response:

Blanket certificates or regular purchase orders are opened and signed at the first regular meeting of the year for all accounts used on a regular basis. During the later part of the year if purchases go over the original amount, or if unexpected purchases are made, the blanket purchase order or regular purchase order is completed at the same time payment for the invoice is created and both are signed, or denied, at the next regular meeting. Checks for payment of invoices are not signed or payment made without an open and approved blanket purchase order or regular purchase order. As always, it is not uncommon for the fiscal officer to be the last to know about a purchase. To deny a payment for any expenditure without prior approval would cause numerous payments to be made past the due date of the invoice and many times result in additional finance charges to the Township.

**FINDING NUMBER 2005-002**

**Noncompliance Citation**

**Expenditures Exceeding Appropriations**

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure or encumbrance unless it has been properly appropriated. Budgetary expenditures as enacted by the Board may not exceed appropriations at the legal level of control for all funds. The Board's legal level of control is fund level for all other funds. The Township had the following violation at December 31, 2004:

|                           | <u>Appropriations</u> | <u>Expenditures</u> | <u>Variance</u> |
|---------------------------|-----------------------|---------------------|-----------------|
| Motor Vehicle License Tax | \$7,898               | \$10,000            | (\$2,102)       |

The Township had the following violation at December 31, 2005:

|                | <u>Appropriations</u> | <u>Expenditures</u> | <u>Variance</u> |
|----------------|-----------------------|---------------------|-----------------|
| Community Park | \$53,653              | \$62,311            | (\$8,658)       |

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**FINDING NUMBER 2005-002 (Continued)**

**Expenditures Exceeding Appropriations (Continued)**

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

Official's Response:

No comment.

**FINDING NUMBER 2005-003**

**Ambulance Billing**

The Township contracts with LifeCare Ambulance, Inc. for ambulance billing. LifeCare Ambulance does not provide a SAS 70 for these purposes. We completed alternative procedures to gain assurances over ambulance billings and receipts.

During our testing of ambulance billings and receipts, we noted the Township did not formally approve a rate for patients to be billed for services provided. During the audit period, the rate billed to patients was \$550 per run, plus \$5.50 per mile. Per discussion with LifeCare, the rate was updated again in 2006, but there is no indication of this in the Township's minutes.

We recommend the Township formally approve ambulance billing rates.

During our testing of ambulance billings, we noted 14 out of 60 ambulance runs/billings were not charged at the correct rate. Of these 14 items, two were never billed, nine were billed at more than the informally accepted rate, and three were billed under the informally accepted rate.

The Township was unaware of these errors because they are not provided any reports that show the amounts billed each month. The Township does receive one report a month which shows the amount collected on behalf of the patient. Reports are not provided that show a reconciliation of amounts charged, collected, and written off for the whole Township or per patient.

We recommend the Township receive, review, and approve the following reports from LifeCare. The first report should show the amounts billed on behalf of the Township for each month. This report should be reconciled with the Township's monthly ambulance run reports. If there are any discrepancies or questions the Township should notify LifeCare. The second report should show the amount collected on behalf of the patient for the Township and the amount to be written off per patient. If an amount is written off a reason for the write-off should be provided and approved by the Township. These reports should be formally approved as an indication that they have been reviewed and are accurate.

Official's Response:

Rates were approved verbally to Life Care by a trustee and never brought up at a meeting. Reports of amounts billed are not received by the Township, just a report of a person billed and the amount collected.

**LAGRANGE TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2003-001       | Ohio Revised Code Section 5705.41(B) Expenditures Exceed Appropriations | No               | Not corrected; See finding 2005-002  |
| 2003-002       | Ohio Revised Code Section 5705.41(D)(1) Encumbrance of Funds            | No               | Not corrected; See finding 2005-001  |
| 2003-003       | Ohio Revised Code Section 5705.09(F) Issue II Project Accounting        | Yes              | Corrective Action Taken; The Township now books Issue II projects  |
| 2003-004       | Timely Depositing – Recommendation to Deposit in a timely manner        | Yes              | Receipts are with the fiscal officer within 3 days of receipt  |
| 2003-005       | Cash Management – Several discrepancies noted                           | Yes              | No issues noted with the Township's bank reconciliation  |





**Mary Taylor, CPA**  
Auditor of State

**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  
NOVEMBER 15, 2007**