



**LAKE TOWNSHIP  
LOGAN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**



**Auditor of State  
Betty Montgomery**



LAKE TOWNSHIP  
LOGAN COUNTY

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**Auditor of State  
Betty Montgomery**

Lake Township  
Logan County  
325 N. Main St.  
Bellefontaine, Ohio 43311

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 a February 2, 2005 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 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.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

October 26, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Lake Township  
Logan County  
325 N. Main St.  
Bellefontaine, Ohio 43311

To the Board of Trustees:

We have audited the accompanying financial statements of Lake Township, Logan County, (the "Township"), as of and for the years ended December 31, 2004 and 2003. 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 governments 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.

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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, 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, 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 the Township, as of December 31, 2004 and 2003, 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, 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 27, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.



**Betty Montgomery**  
Auditor of State

October 27, 2005

**LAKE TOWNSHIP  
LOGAN COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$35,616	\$27,127		\$62,743
Intergovernmental	21,066	72,453	7,126	100,645
Charges for Services	24,984			24,984
Licenses, Permits, and Fees	2,577			2,577
Earnings on Investments	1,155	461		1,616
Other Revenue	110,157			110,157
	<u>195,555</u>	<u>100,041</u>	<u>7,126</u>	<u>302,722</u>
<b>Total Cash Receipts</b>				
	<u>195,555</u>	<u>100,041</u>	<u>7,126</u>	<u>302,722</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	69,926			69,926
Public Safety	36,984			36,984
Public Works	11,564	53,388		64,952
Capital Outlay	2,258		7,126	9,384
	<u>120,732</u>	<u>53,388</u>	<u>7,126</u>	<u>181,246</u>
<b>Total Cash Disbursements</b>				
	<u>120,732</u>	<u>53,388</u>	<u>7,126</u>	<u>181,246</u>
<b>Total Receipts Over Disbursements</b>	74,823	46,653		121,476
<b>Fund Cash Balances, January 1</b>	<u>84,433</u>	<u>176,728</u>		<u>261,161</u>
<b>Fund Cash Balances, December 31</b>	<u>\$159,256</u>	<u>\$223,381</u>	<u>\$0</u>	<u>\$382,637</u>

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

**LAKE TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$35,287	\$27,610		\$62,897
Intergovernmental	14,225	61,561	7,049	82,835
Charges for Services	24,984			24,984
Licenses, Permits, and Fees	1,889			1,889
Earnings on Investments	524	251		775
Other Revenue	383			383
	<u>77,292</u>	<u>89,422</u>	<u>7,049</u>	<u>173,763</u>
<b>Total Cash Receipts</b>				
	<u>77,292</u>	<u>89,422</u>	<u>7,049</u>	<u>173,763</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	36,661			36,661
Public Safety	34,984			34,984
Public Works	5,274	86,019		91,293
Capital Outlay			7,049	7,049
	<u>76,919</u>	<u>86,019</u>	<u>7,049</u>	<u>169,987</u>
<b>Total Cash Disbursements</b>				
	<u>76,919</u>	<u>86,019</u>	<u>7,049</u>	<u>169,987</u>
<b>Total Receipts Over Disbursements</b>	373	3,403		3,776
<b>Fund Cash Balances, January 1</b>	<u>84,060</u>	<u>173,325</u>		<u>257,385</u>
<b>Fund Cash Balances, December 31</b>	<u>\$84,433</u>	<u>\$176,728</u>	<u>\$0</u>	<u>\$261,161</u>

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

**LAKE TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**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 Lake Township, Logan County, (the "Township"), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road maintenance. The Township contracts with the City of Bellefontaine to provide fire services and with the City of Bellefontaine and Robinaugh Ambulance Services for emergency medical services. The Township uses the Logan County Sheriff's department to provide for the security of persons and property.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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.

The Township values certificates of deposit and repurchase agreements at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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 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.

**Gasoline Tax Fund** - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**LAKE TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

**Public Works Projects Fund** – This fund is used to account for Logan County Sales Tax money received and expended for constructing, maintaining and repairing Township 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. 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.

A summary of 2004 and 2003 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.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investments pool 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:

**LAKE TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	<b>2004</b>	<b>2003</b>
Demand deposits	\$42,637	\$261,161
Certificates of deposit	120,000	
Total deposits	162,637	261,161
Repurchase agreement	220,000	
Total deposits and investments	\$382,637	\$261,161

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

The Township did not adopt an investment policy which violates the requirements of Ohio Rev. Code Section 135.14 (O)(1). In addition, the Clerk did not attend investment training as required by Ohio Rev. Code Section 135.22 (B).

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

<b>2004 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$239,429	\$195,555	(\$43,874)
Special Revenue	92,975	100,041	7,066
Capital Projects	7,126	7,126	0
Total	\$339,530	\$302,722	(\$36,808)

<b>2004 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$323,863	\$120,732	\$203,131
Special Revenue	269,703	53,388	216,315
Capital Projects	7,126	7,126	0
Total	\$600,692	\$181,246	\$419,446

**LAKE TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2003 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$78,384	\$77,292	(\$1,092)
Special Revenue	85,750	89,422	3,672
Capital Projects	7,049	7,049	0
Total	\$171,183	\$173,763	\$2,580

<b>2003 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$164,444	\$76,919	\$87,525
Special Revenue	97,708	86,019	11,689
Capital Projects	7,049	7,049	0
Total	\$269,201	\$169,987	\$99,214

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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 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. RETIREMENT SYSTEMS**

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of OPERS contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**LAKE TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. RISK MANAGEMENT**

**Risk Pool Membership**

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**

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

**Financial Position**

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

<b><u>Casualty Coverage</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>13,640,962</u>	<u>11,791,300</u>
Retained Earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

  

<b><u>Property Coverage</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>753,906</u>	<u>750,956</u>
Retained Earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

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## Auditor of State Betty Montgomery

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

Lake Township  
Logan County  
325 N. Main St.  
Bellefontaine, Ohio 43311

To the Board of Trustees:

We have audited the financial statements of Lake Township (the "Township") as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 27, 2005, 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 that the Township uses 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. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **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 2004-001 and 2004-002. In a separate letter to the Township's management dated October 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Lake Township  
Logan County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

October 27, 2005

LAKE TOWNSHIP  
LOGAN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

**Noncompliance Citation**

**Ohio Rev. Code Section 135.22 (B)** states that to enhance the background and working knowledge of treasurers in investments, cash management, and ethics, the treasurer of state shall provide annual continuing education programs for treasurers. A treasurer annually shall complete the continuing education programs described in this Section, unless the treasurer annually provides a notice of exemption described in division (E) of this Section.

The Township Clerk did not attend the required continuing education program. On September 8, 2004, the Township entered into a repurchase agreement in the amount of \$310,000 which does not meet the definition of an exemption in division (E).

Unless the Township intends to comply with division (E) of this Code Section, the Township Clerk should attend the required continuing education programs.

FINDING NUMBER 2004-002

**Noncompliance Citation**

**Ohio Rev. Code Section 135.14 (O)(1)** states that no treasurer or governing board shall make an investment, or deposit, unless a written investment policy approved by the treasurer or governing board is on file with the Auditor of State, with the following two exceptions:

- If a written investment policy is not filed with the Auditor of State, the treasurer or governing board is permitted to invest only in interim deposits, STAR Ohio, or no-load money market mutual funds.
- A subdivision whose average annual portfolio of investments is \$100,000 or less is not required to file an investment policy, provided that the treasurer or governing board certifies to the Auditor of State that the treasurer or governing board will comply and is in compliance with the provisions of Sections 135.01 to 135.21.

On September 8, 2004, the Township entered into a repurchase agreement in the amount of \$310,000 without adopting and filing an investment policy.

The Township should review Auditor of State Bulletin 96-017 for guidance in the adoption and filing of an investment policy.





**Auditor of State  
Betty Montgomery**

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**LAKE TOWNSHIP**

**LOGAN 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 8, 2005**