



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LAKE TOWNSHIP
WOOD COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Lake Township
Wood County
27975 Cummings Road
Millbury, Ohio 43447-9762

To the Board of Trustees:

We have audited the accompanying financial statements of Lake Township (the Township) as of and for the years ended December 31, 2001 and 2000. 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Lake Township
Wood County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 11, 2002

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**LAKE TOWNSHIP
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts:		
Local Taxes	\$284,838	\$1,294,666
Intergovernmental	273,910	207,735
Special Assessments		
Charges for Services	47,500	92,862
Licenses, Permits, and Fees	80,738	100,250
Fines, Forfeitures, and Penalties	6,853	3,454
Earnings on Investments	128,385	2,689
Other Revenue	49,784	90,811
	<u>872,008</u>	<u>1,792,467</u>
Total Cash Receipts		
Cash Disbursements:		
Current:		
General Government	396,554	
Public Safety		1,319,139
Public Works	257,348	338,102
Health		135,407
Conservation - Recreation	17,862	
Miscellaneous	3,741	
Capital Outlay	74,274	46,419
	<u>749,779</u>	<u>1,839,067</u>
Total Cash Disbursements		
	<u>749,779</u>	<u>1,839,067</u>
Total Receipts Over/(Under) Disbursements	<u>122,229</u>	<u>(46,600)</u>
Other Financing Receipts and (Disbursements):		
Transfers-In		280,205
Transfers-Out	(280,205)	
	<u>(280,205)</u>	<u>280,205</u>
Total Other Financing Receipts/(Disbursements)		
	<u>(280,205)</u>	<u>280,205</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>(157,976)</u>	<u>233,605</u>
Fund Cash Balances, January 1	<u>821,660</u>	<u>1,447,615</u>
Fund Cash Balances, December 31	<u>\$663,684</u>	<u>\$1,681,220</u>

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

Governmental Fund Types			Totals
Debt Service	Capital Projects	Fiduciary Funds	(Memorandum Only)
			\$1,579,504
			481,645
	\$9,094		9,094
			140,362
			180,988
			10,307
		\$565	131,639
			140,595
	<u>9,094</u>	<u>565</u>	<u>2,674,134</u>
			396,554
			1,319,139
	8,545		603,995
		206	135,613
			17,862
			3,741
	<u>21,735</u>		<u>142,428</u>
	<u>30,280</u>	<u>206</u>	<u>2,619,332</u>
	<u>(21,186)</u>	<u>359</u>	<u>54,802</u>
			280,205
			(280,205)
	(21,186)	359	54,802
\$90	82,341	14,276	2,365,982
\$90	\$61,155	\$14,635	\$2,420,784

**LAKE TOWNSHIP
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Cash Receipts:		
Local Taxes	\$307,926	\$1,287,319
Intergovernmental	284,035	189,360
Special Assessments		
Charges for Services	30,000	97,345
Licenses, Permits, and Fees	46,846	79,250
Fines, Forfeitures, and Penalties	14,820	770
Earnings on Investments	127,559	3,154
Other Revenue	34,243	80,342
	<u>845,429</u>	<u>1,737,540</u>
Total Cash Receipts		
Cash Disbursements:		
Current:		
General Government	371,902	187,493
Public Safety	359	1,128,334
Public Works		431,914
Health		131,689
Conservation - Recreation	15,264	
Miscellaneous	5,252	
Capital Outlay	208,625	111,625
	<u>601,402</u>	<u>1,991,055</u>
Total Cash Disbursements		
Total Receipts Over/(Under) Disbursements	<u>244,027</u>	<u>(253,515)</u>
Other Financing Receipts and (Disbursements):		
Transfers-In		205,000
Transfers-Out	(205,000)	
	<u>(205,000)</u>	<u>205,000</u>
Total Other Financing Receipts/(Disbursements)		
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>39,027</u>	<u>(48,515)</u>
Fund Cash Balances, January 1	<u>782,633</u>	<u>1,496,130</u>
Fund Cash Balances, December 31	<u><u>\$821,660</u></u>	<u><u>\$1,447,615</u></u>

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

Governmental Fund Types			Totals (Memorandum Only)
Debt Service	Capital Projects	Fiduciary Funds	
			\$1,595,245
			473,395
	\$11,659		11,659
			127,345
			126,096
			15,590
		\$552	131,265
	1,000		115,585
	<u>12,659</u>	<u>552</u>	<u>2,596,180</u>
			559,395
			1,128,693
	9,055		440,969
			131,689
			15,264
			5,252
	17,123		337,373
	<u>26,178</u>		<u>2,618,635</u>
	(13,519)	552	(22,455)
			205,000
			(205,000)
	(13,519)	552	(22,455)
\$90	95,860	13,724	2,388,437
<u>\$90</u>	<u>\$82,341</u>	<u>\$14,276</u>	<u>\$2,365,982</u>

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**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Lake Township (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Police Fund - This fund receives taxes from a special levy for Township police protection.
Fire Fund - This fund receives taxes from a special levy for Township fire protection.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Permanent Improvement Fund – This fund is used for the acquisition and/or construction of major capital facilities.

4. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

5. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Cemetery Bequest Funds – These funds are financed with interest income from certificates of deposit and benefit the grave sites for which the trusts were established for.

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 2001 and 2000 budgetary activity appears in Note 3.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. 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 and investments at December 31 was as follows:

	2001	2000
Demand deposits	\$2,410,784	\$2,355,982
Certificates of deposit	10,000	10,000
Total deposits	\$2,420,784	\$2,365,982

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$698,674	\$872,008	\$173,334
Special Revenue	2,090,231	2,072,672	(17,559)
Capital Projects	9,203	9,094	(109)
Fiduciary	507	565	58
Total	\$2,798,615	\$2,954,339	\$155,724

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,556,534	\$1,029,984	\$526,550
Special Revenue	3,539,718	1,839,067	1,700,651
Debt Service	90	90	90
Capital Projects	91,543	30,280	61,263
Fiduciary	14,779	206	14,573
Total	\$5,202,664	\$2,899,537	\$2,303,127

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$696,391	\$845,429	\$149,038
Special Revenue	1,936,962	1,942,540	5,578
Capital Projects	442,335	12,659	(429,676)
Fiduciary	475	552	77
Total	<u>\$3,076,163</u>	<u>\$2,801,180</u>	<u>(\$274,983)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,485,653	\$806,402	\$679,251
Special Revenue	3,439,408	1,991,055	1,448,353
Capital Projects	538,142	26,178	511,964
Fiduciary	12,316	12,316	
Total	<u>\$5,475,519</u>	<u>\$2,823,635</u>	<u>\$2,651,884</u>

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

December 31, 2000. The Township has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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 occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

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. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

Financial Position

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

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

7. SUBSEQUENT EVENTS

April 26, 2002, the Township issued \$1,300,000 in Bond Anticipation Notes (BAN) to the Exchange Bank to construct a fire station. The BAN has a maturity date of April 23, 2003 and an interest rate of 2.45%.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Lake Township
Wood County
27975 Cummings Road
Millbury, Ohio 43447-9762

To the Board of Trustees:

We have audited the accompanying financial statements of Lake Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 11, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management in a separate letter dated June 11, 2002.

Lake Township
Wood County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

June 11, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43216-1140
Telephone 614-466-4514
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LAKE TOWNSHIP

WOOD 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
JULY 9, 2002**