

LAKE TOWNSHIP
ASHLAND COUNTY

REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2000 AND 2001

J.E. Slaybaugh & Associates, Inc.
Certified Public Accountant
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Lexington, Ohio 44904



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Township Trustees
Lake Township
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We have reviewed the Independent Auditor's Report of the Lake Township, Ashland County, prepared by J.E. Slaybaugh & Associates, Inc., for the audit period January 1, 2000 through December 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lake Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 18, 2002

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LAKE TOWNSHIP
ASHLAND COUNTY

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Lake Township
Ashland County, Ohio

REPORT OF INDEPENDENT AUDITORS'

We have audited the accompanying financial statements of Lake Township, Ashland County, Ohio, as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Authority'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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As described in Note 1, the Authority 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 Lake Township, Ashland County, Ohio, 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 25, 2002 on our consideration of the Authority's internal control over financial reporting and our tests of 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 considering the results of our audit.

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

J. E. Slaybaugh & Associates, Inc.
J.E. Slaybaugh & Associates, Inc.
June 25, 2002

**LAKE TOWNSHIP
ASHLAND COUNTY**

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

	<u>Governmental Fund Types</u>		<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUE RECEIPTS:			
Local Taxes	\$ 5,977	37,038	\$ 43,015
Intergovernmental	27,851	55,685	83,536
Interest	23	434	457
All Other Reveune	<u>2,197</u>	<u>735</u>	<u>2,932</u>
 Total Receipts	 <u>36,048</u>	 <u>93,892</u>	 <u>129,940</u>
EXPENDITURE DISBURSEMENTS:			
Current:			
Public Safety	32,428		32,428
Public Works		82,970	82,970
Health	2,834		2,834
Capital Outlay	<u> </u>	<u>2,728</u>	<u>2,728</u>
 Total Disbursements	 <u>35,262</u>	 <u>85,698</u>	 <u>120,960</u>
 Total receipts over/(under) program disbursements	 <u>786</u>	 <u>8,194</u>	 <u>8,980</u>
 Fund Cash Balances - January 1, 2001	 <u>0</u>	 <u>7,550</u>	 <u>7,550</u>
 Fund Cash Balances - December 31, 2001	 <u>\$ 786</u>	 <u>\$ 15,744</u>	 <u>\$ 16,530</u>

The accompanying notes are an integral part of these financial statements.

**LAKE TOWNSHIP
ASHLAND COUNTY**

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

	<u>Fiduciary Fund</u>
	<u>Non-Expendable Trust</u>
OPERATING CASH RECEIPTS:	
Interest	\$ 19
Total Cash Receipts	19
OPERATING CASH DISBURSEMENTS:	
Contractual Services	0
Total Program Disbursements	0
Total receipts over/(under) program disbursements	19
Fund Cash Balances - January 1, 2001	726
Fund Cash Balances - December 31, 2001	\$ 745

The accompanying notes are an integral part of these financial statements.

**LAKE TOWNSHIP
ASHLAND COUNTY**

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

	<u>Governmental Fund Types</u>		<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUE RECEIPTS:			
Local Taxes	\$ 5,905	82,968	\$ 88,873
Intergovernmental	30,194	2,391	32,585
Interest		184	184
All Other Reveune	<u>4,069</u>	<u>1,234</u>	<u>5,303</u>
 Total Receipts	 <u>40,168</u>	 <u>86,777</u>	 <u>126,945</u>
 EXPENDITURE DISBURSEMENTS:			
Current:			
Public Safety	36,217	5,033	41,250
Public Works		82,846	82,846
Health	4,001		4,001
Capital Outlay		<u>9,876</u>	<u>9,876</u>
 Total Disbursements	 <u>40,218</u>	 <u>97,755</u>	 <u>137,973</u>
 Total receipts over/(under) program disbursements	 <u>(50)</u>	 <u>(10,978)</u>	 <u>(11,028)</u>
 Fund Cash Balances - January 1, 2000	 <u>50</u>	 <u>18,528</u>	 <u>18,578</u>
 Fund Cash Balances - December 31, 2000	 <u>\$ 0</u>	 <u>\$ 7,550</u>	 <u>\$ 7,550</u>

The accompanying notes are an integral part of these financial statements.

**LAKE TOWNSHIP
ASHLAND COUNTY**

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

	<u>Fiduciary Fund</u>
	<u>Non-Expendable Trust</u>
OPERATING CASH RECEIPTS:	
Interest	\$ <u>12</u>
Total Cash Receipts	<u>12</u>
OPERATING CASH DISBURSEMENTS:	
Contractual Services	<u>0</u>
Total Program Disbursements	<u>0</u>
Total receipts over/(under) program disbursements	12
Fund Cash Balances - January 1, 2000	<u>714</u>
Fund Cash Balances - December 31, 2000	<u>\$ 726</u>

The accompanying notes are an integral part of these financial statements.

**LAKE TOWNSHIP
ASHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Description of the Entity

Lake Township, Ashland County, 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 provides general governmental services, including fire protection services. Ashland County Sheriff's Department provides security of persons and property but no contract is involved.

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 matter, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township receives annual interest income from a Certificate of Deposit held jointly by Lake Township and Green Township. The value of the Certificate at the last renewal date was \$500.00.

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:

General Fund

The general fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

Road and Bridge, Maintenance and Repair- This fund receives permissive sales tax, gasoline tax and motor vehicle tax money for use in maintaining and repairing Township roads and bridges.

Fire District- This fund receives monies form property taxes assessed at a millage determined by the Budget Commission and approved by the Trustees to provide for fire protection within the Township.

D. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Township is acting in an agency capacity are classified as agency funds. The Township had the following significant fiduciary fund:

St. John's Cemetery Trust (nonexpendable trust fund)- Earnings on trust corpus are used to maintain cemetery grounds. As noted in Note C, the earnings received are from a jointly held certificate of deposit.

E. Budgetary Process

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

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 Township must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township had no encumbrances outstanding at either year end.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

2. Equity in Pooled Cash and Investments

The Township maintains a cash and investment 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:

	<u>2001</u>	<u>2000</u>
Demand Deposits	<u>\$ 17,275</u>	<u>\$ 8,276</u>
Total deposits	<u>\$ 17,275</u>	<u>\$ 8,276</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31 was as follows:

	<u>2001 Budgeted vs. Actual Receipts</u>		
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	41,113	36,048	\$ (5,065)
Special Revenue	103,600	93,892	(9,708)
Nonexpendable Trust	<u>745</u>	<u>19</u>	<u>(726)</u>
Total	<u>\$ 145,458</u>	<u>\$ 129,959</u>	<u>\$ (15,499)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	37,314	35,262	\$ 2,052
Special Revenue	109,648	85,698	23,950
Nonexpendable Trust	<u>740</u>	<u>-</u>	<u>740</u>
Total	<u>\$ 147,702</u>	<u>\$ 120,960</u>	<u>\$ 26,742</u>

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	37,613	40,168	\$ 2,555
Special Revenue	96,100	86,777	(9,323)
Nonexpendable Trust	<u>739</u>	<u>12</u>	<u>(727)</u>
Total	<u>\$ 134,452</u>	<u>\$ 126,957</u>	<u>\$ (7,495)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	34,636	40,218	\$ (5,582)
Special Revenue	117,427	97,755	19,672
Nonexpendable Trust	<u>732</u>	<u>-</u>	<u>732</u>
Total	<u>\$ 152,795</u>	<u>\$ 137,973</u>	<u>\$ 14,822</u>

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township 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 payments, the first half is due December 31. The second half is due the following June 20.

Public utilities are also taxed on personal 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 System

The Township's full-time 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 2000 and 2001, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of the participant's 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 December 31, 2000.

Amounts contributed by the Township were \$ 5,858 for 2000 and \$ 4,905 for 2001.

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

6. Insurance and Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA). OTARMA provides its members insurance coverage at group rates. The following risks are covered by the policy:

- Comprehensive property and general liability
- Vehicles

Public Officials insurance is provided by Kemper.

The Township also provides health insurance to its full-time employees through a private carrier.

There have been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

J. E. Slaybaugh & Associates, Inc.

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Lexington, Ohio 44904*

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*John E. Slaybaugh III
Certified Public Accountant*

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

Lake Township
Ashland County, Ohio

We have audited the financial statements of Lake Township, Ashland County, Ohio, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 25, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lake 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*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated June 25, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake 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.

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

J. E. Slaybaugh & Associates, Inc.

J.E. Slaybaugh & Associates, Inc.
June 25, 2002



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OFFICE OF THE AUDITOR

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LAKE TOWNSHIP
ASHLAND 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
JANUARY 2, 2003**