

**Lawrence Township**

Financial Condition

As of

December 31, 2004

Together with Auditor's Report





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Lawrence Township  
5828 Manchester Ave, NW  
North Lawrence, Ohio 44666

We have reviewed the *Report of Independent Accountants* of Lawrence Township, Stark County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2004 through December 31, 2004. 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. Lawrence Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 7, 2007

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**Lawrence Township**  
Stark County

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Trustee  
Lawrence Township  
Stark County

I have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of Lawrence Township, Stark County, Ohio (the Township), as of and for the year ended December 31, 2004 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on our audit.

I 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 2, 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund and the aggregate remaining fund information of the Township as of December 31, 2004 and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Road and Bridge Fund, Police Funds, Fire Funds and the Road Fund thereof for the year then ended in conformity with the basis of the accounting Note 2 describes.

For the year ended December 31, 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

In accordance with Government Auditing Standards, I have also issued my report dated October 2, 2006, on my consideration of the Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards. You should read it in conjunction with this report in assessing the results of my audit.

The Management's Discussion and Analysis, is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, I did not audit the information and express no opinion on it.

Kevin L. Penn, Inc.

October 2, 2006



Lawrence Township  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

This discussion and analysis of the Ohio Local Government's financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2004, within the limitations of the Government's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

**Highlights**

Key highlights for 2004 are as follows:

Net assets of governmental activities decreased \$ 467,106.64, or 26.3 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Police, which realized the greatest burden of increased costs in 2004; however, cost increases affected most funds.

The Government's general receipts are primarily property taxes. These receipts represent respectively \$1,494,844 and 65 percent of the total cash received for governmental activities during the year. Property tax receipts for 2004 changed very little compared to 2003. \$120,123.18 was received in inheritance tax in 2004.

Work on the Administration Building started in 2004. Total cost of construction in 2004 was \$233,717.62. Inheritance tax funded the total cost of the Administration Building. Work on the Fire Addition was also started with \$91,225.70 being spent.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Government's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Government as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Lawrence Township  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Government has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Government's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Government did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Government at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Government's general receipts.

These statements report the Government's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Government's financial health. Over time, increases or decreases in the Government's cash position is one indicator of whether the Government's financial health is improving or deteriorating. When evaluating the Government's financial condition, you should also consider other nonfinancial factors as well such as the Government's property tax base, the condition of the Government's capital assets and infrastructure, the extent of the Government's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Government's activities are described as follows:

Governmental activities. Most of the Government's basic services are reported here, including police, fire, road, and zoning. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Lawrence Township  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Government's major funds – not the Government as a whole. The Government establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Government are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Government's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Government's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The Government's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Government's major governmental funds are the General Fund, Road and Bridge Fund, Police Fund, Fire Fund, Road Fund, Capital Reserve Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the Government charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. When the services are provided to other department of the Government, the service is reported as an internal service fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Government's programs.

**The Government as a Whole**

Table 1 provides a summary of the Government's net assets for 2004 compared to 2003 on a modified cash basis:

	<u>2004</u>	<u>2003</u>
Assets		
Cash and Cash Equivalents	\$ 1,309,098	\$ 1,776,206
Total Assets	<u>\$ 1,309,098</u>	<u>\$ 1,776,206</u>
Net Assets		
Restricted for:		
Capital Projects	\$ 721,991	\$ 1,080,177
Debt Service	900	1,500
Other Purposes	393,370	449,598
Unrestricted	<u>192,837</u>	<u>244,931</u>
Total Net Assets	<u>\$ 1,309,098</u>	<u>\$ 1,776,206</u>

Lawrence Township  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

As mentioned previously, net assets of governmental activities decreased \$467,107 or 26 percent during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- Unanticipated slow growth in local tax receipts.
- Increases in salaries were 3%.
- The Government set aside \$200,000.00 for the addition to the Fire Department.
- In 2004, the Government made a down payment and a payment on debt for the new Fire Dept. ambulance totaling \$55,526.69.
- Health benefit premium costs grew substantially. Last year's costs were \$174,563.53 while this year costs totaled \$215,978.19.

Table 2 reflects the changes in net assets in 2004. Since the Government did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)  
Changes in Net Assets

Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 20,198
Operating Grants and Contributions	145,101
Capital Grants and Contributions	<u>6,291</u>
Total Program Receipts	171,590
General Receipts:	
Property and Other Local Taxes	1,494,844
Interest	18,621
Miscellaneous	602,865
Total General Receipts	<u>2,116,330</u>
Total Receipts	2,287,920
Disbursements:	
General Government	415,451
Security of Persons and Property	1,844,390
Capital Outlay	462,496
Principal Retirement	31,022
Interest and Fiscal Charges	<u>1,669</u>
Total Disbursements	<u>2,755,028</u>
Increase (Decrease) in Net Assets	(467,108)
Net Assets, January 1, 2004	<u>1,776,206</u>
Net Assets, December 31, 2004	<u><u>\$ 1,309,098</u></u>

Program receipts represent only 7 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits.

Lawrence Township  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

General receipts represent 93 percent of the Government's total receipts, and of this amount, over 71 percent are local taxes. Miscellaneous receipts, which include inheritance tax make up the balance of the Government's general receipts 29 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government activities. These include the costs of trustees, the fiscal office, and zoning departments. Since these costs do not represent direct services to residents, we try to limit these costs to 15% of General Fund unrestricted receipts.

Security of Persons and Property are the costs of police and fire protection; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities on page 9, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, and capital outlay which account for 67 and 17 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 15 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
General Government	\$ 416,112	\$ 404,372
Security of Persons and Property	1,843,728	1,690,171
Capital Outlay	462,496	462,496
Principal Retirement	31,022	31,236
Interest and Fiscal Charges	<u>1,669</u>	<u>1,456</u>
Total Expenses	<u>\$ 2,755,028</u>	<u>\$ 2,589,731</u>

The dependence upon property tax receipts is apparent as over 94 percent of governmental activities are supported through these general receipts.

Lawrence Township  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

**The Government's Funds**

Total governmental funds had receipts of \$2,287,922 and disbursements of \$2,755,029. The greatest change within governmental funds occurred within the Police Fund. The fund balance of the Police Fund decreased \$73,749 as the result of increased costs for salaries and benefits and not achieving anticipated growth in income and property tax receipts.

General Fund receipts were more than disbursements by \$40,419 indicating that the General Fund will be in deficit spending situation if inheritance tax is not received.

**General Fund Budgeting Highlights**

The Government's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the Government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$433,573 while actual disbursements were \$393,983. Although receipts failed to live up to expectations, appropriations were not reduced. The Government kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$52,095 for 2004.

**Capital Assets and Debt Administration**

**Capital Assets**

The Government does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2004, the Government's outstanding debt included \$78,415.31 in general obligation bonds issued for land and equipment, and \$162,500.16 in capital leases for equipment. For further information regarding the Government's debt, refer to Note 10 to the basic financial statements.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

Lawrence Township  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cynthia Meismer, Fiscal Officer, Lawrence Township, 5828 Manchester Ave.N.W.,North Lawrence, Ohio 44666.

Lawrence Township  
 Stark County  
 Statement of Net Assets – Modified Cash Basis  
 December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,309,098</u>
 Total Assets	 <u><u>\$ 1,309,098</u></u>
 Net Assets	
Restricted for:	
Capital Projects	\$ 721,991
Debt Service	900
Other Purposes	393,370
Unrestricted	<u>192,837</u>
 Total Net Assets	 <u><u>\$ 1,309,098</u></u>

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



Lawrence Township  
 Stark County  
 Statement of Activities – Modified Cash Basis  
 For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets
<b>Governmental Activities</b>				
General Government	\$ 412,314	\$ 11,742		\$ (400,572)
Public Safety	1,302,095	8,456	\$ 38,421	(1,255,218)
Public Works	541,632		106,680	(434,952)
Conservation - Recreation	3,800			(3,800)
Capital Outlay	462,496			(462,496)
Debt Service - Principal	31,022			(31,022)
Debt Service - Interest	1,669			(1,669)
<b>Total Governmental Activities</b>	<b>\$ 2,755,028</b>	<b>\$ 20,198</b>	<b>\$ 145,101</b>	<b>\$ (2,589,729)</b>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				\$ 1,462,753
Debt Service				32,091
Capital Outlay				6,291
Intergovernmental				571,673
Interest				18,621
Miscellaneous				31,192
			<b>Total General Receipts</b>	<b>2,122,621</b>
			<b>Change in Net Assets</b>	<b>(467,108)</b>
			<b>Net Assets Beginning of Year</b>	<b>1,776,206</b>
			<b>Net Assets End of Year</b>	<b>\$ 1,309,098</b>

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

Lawrence Township  
 Stark County  
 Statement of Modified Cash Basis Assets and Fund Balances  
 Governmental Funds  
 December 31, 2004

	<u>General</u>	<u>Road and Bridge Fund</u>	<u>Police Funds</u>	<u>Fire Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 192,837	\$ 58,818	\$ 115,165	\$ 79,062
<b>Total Assets</b>	<u>\$ 192,837</u>	<u>\$ 58,818</u>	<u>\$ 115,165</u>	<u>\$ 79,062</u>
<b>Fund Balances</b>				
<b>Reserved:</b>				
Reserved for Encumbrances	\$ 25,762	\$ 11,808	\$ 39,774	\$ 31,862
<b>Unreserved:</b>				
<b>Undesignated (Deficit), Reported in:</b>				
General Fund	167,075			
Special Revenue Funds		47,010	75,391	47,200
Capital Projects Funds				
Debt Service Fund				
<b>Total Net Assets</b>	<u>\$ 192,837</u>	<u>\$ 58,818</u>	<u>\$ 115,165</u>	<u>\$ 79,062</u>

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

(continued)

Lawrence Township  
 Stark County  
 Statement of Modified Cash Basis Assets and Fund Balances  
 Governmental Funds  
 December 31, 2004

	<u>Road Funds</u>	<u>Capital Reserve Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 22,045	\$ 721,459	\$ 119,712	\$ 1,309,098
<b>Total Assets</b>	<u>\$ 22,045</u>	<u>\$ 721,459</u>	<u>\$ 119,712</u>	<u>\$ 1,309,098</u>
<b>Fund Balances</b>				
<b>Reserved:</b>				
Reserved for Encumbrances	\$ 400	\$ 398,757	\$ 58,872	\$ 567,235
<b>Unreserved:</b>				
<b>Undesignated (Deficit), Reported in:</b>				
General Fund				167,074
Special Revenue Funds	21,645		60,210	251,456
Capital Projects Funds		322,702	(270)	322,433
Debt Service Fund			900	900
<b>Total Net Assets</b>	<u>\$ 22,045</u>	<u>\$ 721,459</u>	<u>\$ 119,712</u>	<u>\$ 1,309,098</u>

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

Lawrence Township  
 Stark County  
 Statement of Cash Receipts, Disbursements and  
 Changes in Modified Cash Basis Fund Balances  
 Governmental Funds  
 For the Year Ended December 31, 2004

	General	Road and Bridge Fund	Police Funds	Fire Funds
<b>Cash Receipts:</b>				
Taxes	\$ 123,027	\$ 186,030	\$ 569,684	\$ 358,615
Charges for Services				
Licenses, Permits, and Fees				
Fines, Forfeitures, and Penalties	14,730			
Intergovernmental Receipts	247,595	32,854	88,423	57,635
Special Assessments				
Interest	15,013			
Other Revenue	34,038	25	8,322	86,793
<b>Total Cash Receipts</b>	<b>434,403</b>	<b>218,909</b>	<b>666,429</b>	<b>503,043</b>
<b>Cash Disbursements:</b>				
General Government	388,062			
Public Safety	2,121	3,351	754,836	510,178
Public Works		206,531		
Conservation - Recreation	3,800			
Capital Outlay				
Debt Service - Note Principal Payment				
Debt Service - Interest and Fiscal Charges				
Contract Services				
<b>Total Cash Disbursements</b>	<b>393,983</b>	<b>209,882</b>	<b>754,836</b>	<b>510,178</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>40,420</b>	<b>9,027</b>	<b>(88,407)</b>	<b>(7,135)</b>
<b>Other Financing Receipts/(Disbursements)</b>				
Transfers-In			14,658	
Transfers-Out	(99,658)			
Advances - In	12,543			
Advances - Out	(5,399)			
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(92,514)</b>	<b>-</b>	<b>14,658</b>	<b>-</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(52,094)</b>	<b>9,027</b>	<b>(73,749)</b>	<b>(7,135)</b>
Fund Cash Balance - January 1, 2004	244,931	49,791	188,914	86,197
<b>Fund Cash Balance - December 31, 2004</b>	<b>\$ 192,837</b>	<b>\$ 58,818</b>	<b>\$ 115,165</b>	<b>\$ 79,062</b>

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

(continued)

Lawrence Township  
Stark County  
Statement of Cash Receipts, Disbursements and  
Changes in Modified Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2004

	Road Funds	Capital Reserve Funds	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>				
Taxes	\$ 225,397	\$ -	\$ 32,091	\$ 1,494,844
Charges for Services			8,456	8,456
Licenses, Permits, and Fees			11,742	11,742
Fines, Forfeitures, and Penalties			3,333	18,063
Intergovernmental Receipts	28,483		116,684	571,674
Special Assessments			6,291	6,291
Interest			3,608	18,621
Other Revenue	619		28,432	158,229
<b>Total Cash Receipts</b>	<b>254,499</b>	<b>-</b>	<b>210,637</b>	<b>2,287,920</b>
<b>Cash Disbursements:</b>				
General Government			23,589	411,651
Public Safety	2,065		29,544	1,302,095
Public Works	242,568		92,533	541,632
Conservation - Recreation				3,800
Capital Outlay	20,000	233,718	208,778	462,496
Debt Service - Note Principal Payment			31,022	31,022
Debt Service - Interest and Fiscal Charges			1,669	1,669
Contract Services			663	663
<b>Total Cash Disbursements</b>	<b>264,633</b>	<b>233,718</b>	<b>387,798</b>	<b>2,755,028</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(10,134)</b>	<b>(233,718)</b>	<b>(177,161)</b>	<b>(467,108)</b>
<b>Other Financing Receipts/(Disbursements)</b>				
Transfers-In		75,000	10,000	99,658
Transfers-Out				(99,658)
Advances – In			5,399	17,942
Advances - Out			(12,543)	(17,942)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>-</b>	<b>75,000</b>	<b>2,856</b>	<b>-</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(10,134)</b>	<b>(158,718)</b>	<b>(174,305)</b>	<b>(467,108)</b>
Fund Cash Balance - January 1, 2004	32,179	880,177	294,017	1,776,206
<b>Fund Cash Balance - December 31, 2004</b>	<b>\$ 22,045</b>	<b>\$ 721,459</b>	<b>\$ 119,712</b>	<b>\$ 1,309,098</b>

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

Lawrence Township  
 Stark County  
 Statement of Receipts, Disbursements and Changes in Fund  
 Balance - Budget and Actual - Budget Basis  
 General Fund  
 For the Year Ended December 31, 2004

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Receipts:				
Property and Other Local Taxes	\$ 125,167	\$ 117,000	\$ 123,027	\$ 6,027
Fines and Forfeitures		8,000	14,730	6,730
Intergovernmental	171,772	197,148	247,595	50,447
Interest		10,000	15,013	5,013
Other	8,135	30,000	34,038	4,038
<b>Total Receipts</b>	<b>305,074</b>	<b>362,148</b>	<b>434,403</b>	<b>72,255</b>
Disbursements:				
Current:				
General Government	376,873	439,343	413,824	25,519
Public Safety	2,400	2,400	2,121	279
Conservation-Recreation	6,000	3,800	3,800	-
Capital Outlay				-
<b>Total Disbursements</b>	<b>385,273</b>	<b>445,543</b>	<b>419,745</b>	<b>25,798</b>
Excess of Receipts Over (Under) Disbursements	(80,199)	(83,395)	14,658	98,053
Other Financing Sources (Uses)				
Transfers In				
Transfers Out		(99,658)	(99,658)	-
Advances In			12,543	12,543
Advances Out		(5,399)	(5,399)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(105,057)</b>	<b>(92,514)</b>	<b>12,543</b>
Net Change in Fund Balances	(80,199)	(188,452)	(77,856)	110,596
Fund Balances Beginning of Year	224,457	224,457	224,457	-
Prior Year Encumbrances Appropriated	20,474	20,474	20,474	-
<b>Fund Balances End of Year</b>	<b>\$ 164,732</b>	<b>\$ 56,479</b>	<b>\$ 167,075</b>	<b>\$ 110,596</b>

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

Lawrence Township  
 Stark County  
 Statement of Receipts, Disbursements and Changes in Fund  
 Balance - Budget and Actual - Budget Basis  
 Road and Bridge Fund  
 For the Year Ended December 31, 2004

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Receipts:				
Property and Other Local Taxes	\$ 180,960	\$ 180,660	\$ 186,030	\$ 5,370
Fines and Forfeitures		36,690	32,854	(3,836)
Intergovernmental			25	25
Interest				
Other				
<b>Total Receipts</b>	<b>180,960</b>	<b>217,350</b>	<b>218,909</b>	<b>1,559</b>
Disbursements:				
Current:				
General Government				
Public Safety	190	1,190	3,351	(2,161)
Public Works	208,400	214,428	218,339	(3,911)
Capital Outlay				
<b>Total Disbursements</b>	<b>208,590</b>	<b>215,618</b>	<b>221,690</b>	<b>(6,072)</b>
Excess of Receipts Over (Under) Disbursements	(27,630)	1,732	(2,781)	(4,513)
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Advances In				
Advances Out				
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(27,630)</b>	<b>1,732</b>	<b>(2,781)</b>	<b>(4,513)</b>
Fund Balances Beginning of Year	49,791	49,791	49,791	-
Prior Year Encumbrances Appropriated				-
<b>Fund Balances End of Year</b>	<b>\$ 22,161</b>	<b>\$ 51,523</b>	<b>\$ 47,010</b>	<b>\$ (4,513)</b>

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

Lawrence Township  
 Stark County  
 Statement of Receipts, Disbursements and Changes in Fund  
 Balance - Budget and Actual - Budget Basis  
 Police Fund  
 For the Year Ended December 31, 2004

	<u>Budget Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Receipts:				
Property and Other Local Taxes	\$ 628,383	\$ 606,947	\$ 569,684	\$ (37,263)
Fines and Forfeitures				-
Intergovernmental		80,000	88,423	8,423
Interest				-
Other		8,000	8,322	322
	<u>628,383</u>	<u>694,947</u>	<u>666,429</u>	<u>(28,518)</u>
Total Receipts				
Disbursements:				
Current:				
General Government				-
Public Safety	677,203	698,203	794,610	(96,407)
Public Works				-
Capital Outlay				-
	<u>677,203</u>	<u>698,203</u>	<u>794,610</u>	<u>(96,407)</u>
Total Disbursements				
Excess of Receipts Over (Under) Disbursements	<u>(48,820)</u>	<u>(3,256)</u>	<u>(128,181)</u>	<u>(124,925)</u>
Other Financing Sources (Uses)				
Transfers In		14,000	14,658	658
Transfers Out				-
Advances In				-
Advances Out				-
	<u>-</u>	<u>14,000</u>	<u>14,658</u>	<u>658</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(48,820)	10,744	(113,523)	(124,267)
Fund Balances Beginning of Year	188,914	188,914	188,914	-
Prior Year Encumbrances Appropriated				-
Fund Balances End of Year	<u>\$ 140,094</u>	<u>\$ 199,658</u>	<u>\$ 75,391</u>	<u>\$ (124,267)</u>

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



Lawrence Township  
 Stark County  
 Statement of Receipts, Disbursements and Changes in Fund  
 Balance - Budget and Actual - Budget Basis  
 Fire Fund  
 For the Year Ended December 31, 2004

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
Property and Other Local Taxes	\$ 431,169	\$ 428,700	\$ 358,615	\$ (70,085)
Fines and Forfeitures				-
Intergovernmental		55,620	57,635	2,015
Interest				-
Other		84,949	86,793	1,844
<b>Total Receipts</b>	<b>431,169</b>	<b>569,269</b>	<b>503,043</b>	<b>(66,226)</b>
Disbursements:				
Current:				
General Government				-
Public Safety	529,203	537,203	542,040	(4,837)
Public Works				-
Capital Outlay				-
<b>Total Disbursements</b>	<b>529,203</b>	<b>537,203</b>	<b>542,040</b>	<b>(4,837)</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(98,034)</b>	<b>32,066</b>	<b>(38,997)</b>	<b>(71,063)</b>
Other Financing Sources (Uses)				
Transfers In				-
Transfers Out				-
Advances In				-
Advances Out				-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(98,034)</b>	<b>32,066</b>	<b>(38,997)</b>	<b>(71,063)</b>
Fund Balances Beginning of Year	86,197	86,197	86,197	-
Prior Year Encumbrances Appropriated				-
<b>Fund Balances End of Year</b>	<b>\$ (11,837)</b>	<b>\$ 118,263</b>	<b>\$ 47,200</b>	<b>\$ (71,063)</b>

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

Lawrence Township  
 Stark County  
 Statement of Receipts, Disbursements and Changes in Fund  
 Balance - Budget and Actual - Budget Basis  
 Road Fund  
 For the Year Ended December 31, 2004

	<u>Budget Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Receipts:				
Property and Other Local Taxes	\$ 249,515	\$ 242,962	\$ 225,397	\$ (17,565)
Fines and Forfeitures				-
Intergovernmental		24,000	28,483	4,483
Interest				-
Other			619	619
	<u>249,515</u>	<u>266,962</u>	<u>254,499</u>	<u>(12,463)</u>
Total Receipts				
Disbursements:				
Current:				
General Government				-
Public Safety	290	290	2,065	(1,775)
Public Works	245,390	235,390	242,968	(7,578)
Capital Outlay	10,000	20,000	20,000	-
	<u>255,680</u>	<u>255,680</u>	<u>265,033</u>	<u>(9,353)</u>
Total Disbursements				
Excess of Receipts Over (Under) Disbursements	<u>(6,165)</u>	<u>11,282</u>	<u>(10,534)</u>	<u>(21,816)</u>
Other Financing Sources (Uses)				
Transfers In				-
Transfers Out				-
Advances In				-
Advances Out				-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(6,165)	11,282	(10,534)	(21,816)
Fund Balances Beginning of Year	32,179	32,179	32,179	-
Prior Year Encumbrances Appropriated				-
Fund Balances End of Year	<u>\$ 26,014</u>	<u>\$ 43,461</u>	<u>\$ 21,645</u>	<u>\$ (21,816)</u>

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

Lawrence Township  
Stark County  
Notes to the Financial Statements  
For the Year Ended December 31, 2004

**Note 1 – Reporting Entity**

Lawrence Township, Stark County, Ohio, is a body politic and corporate established in 1815 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 also has an elected Township Clerk.

The reporting entity is comprised solely of the primary government.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general governmental services, including road and bridge, maintenance, zoning services, police and fire protection, and emergency medical services. The Township contracts with the North Lawrence Volunteer Fire Department to provide fire protection and emergency medical services to the southwestern portion of the township.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The Township only has governmental activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible.

Lawrence Township  
Stark County  
Notes to the Financial Statements  
For the Year Ended December 31, 2004

**Note 2 – Summary of Significant Accounting Policies** (continued)

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all governmental funds.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Road and Bridge Fund, Police Fund, Fire Fund, Road District Fund, and Capital Reserve Account Fund.

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The Road and Bridge and Road District Fund are used to account for a portion of property tax revenue received and used for the purpose of maintaining Township roads.

The Police District Fund is used to account for the portion of property tax revenue received and used for the purpose of maintaining the Township police department.

The Fire District Fund is used to account for the portion of property tax revenue received and used for the purpose of providing fire protection services for the Township.

The Capital Project Reserve Fund was established in 2001 for the purpose of setting aside funds to purchase land and construct a new building. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Lawrence Township  
Stark County  
Notes to the Financial Statements  
For the Year Ended December 31, 2004

**Note 2 – Summary of Significant Accounting Policies** (continued)

**C. Basis of Accounting**

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, and department for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Lawrence Township  
Stark County  
Notes to the Financial Statements  
For the Year Ended December 31, 2004

**Note 2 – Summary of Significant Accounting Policies** (continued)

**E. Cash and Investments** (continued)

During 2004, the Township invested in an overnight repurchase agreement. Repurchase agreements (overnight sweep) are valued at cost. The Township's repurchase agreement investment is \$1,320,000.00, the amount reported by First Merit on December 31, 2004.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts to the General Fund during 2004 was \$18,620.95

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Lawrence Township  
Stark County  
Notes to the Financial Statements  
For the Year Ended December 31, 2004

**Note 2 – Summary of Significant Accounting Policies** (continued)

**L. Long-Term Obligations**

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for special revenue funds.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Restricted net assets total \$1,116,261.

**N. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Road and Bridge Fund, Police Fund, Fire Fund and Road Fund, are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$25,762 for the General Fund; \$11,808 for the Road and Bridge Fund; \$39,774 for the Police Funds; \$31,862 for the Fire Funds; \$400 for the Road Funds and \$58,872 for Other Governmental Funds.

Lawrence Township  
Stark County  
Notes to the Financial Statements  
For the Year Ended December 31, 2004

**Note 5 – Deposits and Investments**

State statutes classify monies held by the Township into three categories.

Active deposits are public deposits necessary to meet current demands on the Township treasury. Such monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Township has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).



Lawrence Township  
Stark County  
Notes to the Financial Statements  
For the Year Ended December 31, 2004

**Note 5 – Deposits and Investments** (continued)

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Township does not currently participate in any investment programs.

At year end, the Township had \$200 in undeposited cash on hand, which is included on the balance sheet of the Township as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions, Investments (Including Repurchase Agreements). At year end, the carrying amount of the Township's deposits was \$1,308,898 and the bank balance was \$1,322,776. Of the bank balance \$100,000 was covered by federal depository insurance and \$1,222,776 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments: GASB Statement No. 3 "Deposits with Financial Institutions, investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments classified by risk. Category 1 included investments that are insured or registered for which the securities are held in the counter party's trust department or agent in the Township's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the Township's name. At December 31, 2004, the Township held no investments that would be classified as investments under GASB Statement No.3.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Lawrence Township  
Stark County  
Notes to the Financial Statements  
For the Year Ended December 31, 2004

**Note 6 – Property Taxes** (continued)

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The full tax rate for all Township operations for the year ended December 31, 2004, was \$13.8 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential and Agriculture	\$172,624,470
Other	\$20,169,300
Public Utility Property	
Personal	\$6,217,380
General Personal	\$9,599,290
Total Assessed Value	<u>\$208,610,440</u>

**Note 7 – 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. During 2004 the Township contracted with the Ohio Government Risk Management Plan (The “Plan”), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductible.

Lawrence Township  
Stark County  
Notes to the Financial Statements  
For the Year Ended December 31, 2004

**Note 7 – Risk Management** (continued)

The Plan uses conventional insurance coverages and reinsures this coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000. of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000. of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The co9rridor includes losses paid between 55% and 65% or premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ration of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member. The Township obtained insurance coverage for the following areas, comprehensive property and general liability: vehicles: and public officials' liability.

The Township also provides health insurance to full-time employees through a commercial insurance provider.

Coverage provided by The Ohio Plan is as follows:

Legal Liability	\$5,000,000	Per Occurrence
Automobile Liability	\$5,000,000	Per Occurrence
Law Enforcement Operations	\$5,000,000	Per Occurrence
Wrongful Acts	\$5,000,000	Per Occurrence
Property	\$ 815,640	Total Coverage
Boiler and Machinery	\$1,930,625	Limit

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate of .030843 of employee salaries with the exception of fire and police whose rate is .168927. This rate is based on accident history and administrative costs.

**Note 8 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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For the Year Ended December 31, 2004

**Note 8 – Defined Benefit Pension Plan** (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2004 was 13.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$142,055.14, \$138,261.81, and \$117,332.01 respectively. The full amount has been contributed for 2004, 2003 and 2002. Contributions to the member-directed plan for 2004 were \$87,822.22 made by the Township and \$54,233.92 made by Township for the plan members.

**Note 9 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

Lawrence Township  
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 Notes to the Financial Statements  
 For the Year Ended December 31, 2004

**Note 9 - Postemployment Benefits** (continued)

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$46,440. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 10 – Debt**

The Township's long-term debt activity for the year ended December 31, 2004, was as follows:

General Obligation Bonds	Interest Rate	Balance			Balance December 31, 2004	Due Within One Year
		December 31, 2003	Additions	Reductions		
2003 Issue (\$30,000.)	-	\$ 30,000		\$ 4,200	\$ 25,800	\$ 3,600
2004 Issue ( \$81,106.50)	3.25	<u>\$ 0</u>	<u>\$ 81,106</u>	<u>\$ 26,822</u>	<u>\$ 54,284</u>	<u>\$ 26,702</u>
		<u>\$ 30,000</u>	<u>\$ 81,106</u>	<u>\$ 31,022</u>	<u>\$ 80,084</u>	<u>\$ 30,302</u>

The general obligation bonds are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements:

Year	G.O. Bonds	
	Principal	Interest
2005	\$30,302	\$1,789
2006	31,182	909
2007	3600	
2008	3600	
2009	3600	
2010	3600	
2011	3600	
2012	600	
Totals	<u>\$80,084</u>	<u>\$2,698</u>

Lawrence Township  
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 Notes to the Financial Statements  
 For the Year Ended December 31, 2004

**Note 11 – Leases**

The Township leases buildings, vehicles and other equipment under noncancelable leases. The Township disbursed \$60,000.00 for a down payment for the year ended December 31, 2004. Future lease payments are as follows:

Year	Amount
2005	\$30,000.00
2006	\$49,972.59
2007	\$49,972.59
2008	\$49,972.59
Total	<u>\$179,917.77</u>

**Note 12– Jointly Governed Organizations**

The Stark Council of Governments (Council) is a statutorily created political subdivision of Ohio for the purpose for providing a permanent forum for discussion and study of concerns of the county, cities, villages and townships for development of policies and programs for implementation by one or more of the local governing bodies. The Council is jointly governed among municipalities and townships located in Stark County. Each member’s control over the operation of the Council is limited to its representation on the Board which consists of 27; members. The Board exercises total control over Council operations. Complete financial statements may be obtained from the Stark Council of Governments, Canton, Ohio.

**Note 13 – Transfers**

Following is a summary of transfers in and out for all funds for 2004:

<b><u>Fund</u></b>	<b><u>Transfer In</u></b>	<b><u>Transfer Out</u></b>
General Fund	\$ -	\$ 348,370
Police Fund	17,378	-
Fire Fund	992	-
Road Fund	30,000	-
Other Governmental Funds	10,000	-
Capital Reserve Fund	<u>290,000</u>	<u>-</u>
Total	<u>\$ 348,370</u>	<u>\$ 348,370</u>

Transfers are used to move revenues from funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets. Money transferred out in 2004 was money from the General Fund.



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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards**

To the Board of Trustee  
Lawrence Township  
Stark County

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence Township as of and for the year ended December 31, 2004, and have issued my report thereon dated October 2, 2006. I conducted my audit in accordance with generally accepted auditing standards 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. My report on the financial statements disclosed that, as described in Note 2 to the financial statements, the Township prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Lawrence Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**Compliance and Other Matter**

As part of obtaining reasonable assurance about whether Lawrence Township's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of Lawrence Township in a separate letter dated October 2, 2006.

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

Kevin L. Penn, Inc.

October 2, 2006





**Mary Taylor, CPA**  
Auditor of State

**LAWRENCE TOWNSHIP**

**STARK 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  
MARCH 20, 2007**