

**LAKE TOWNSHIP
STARK COUNTY
Regular Audit
December 31, 2005 and 2004**



**Auditor of State
Betty Montgomery**

Board of Trustees
Lake Township
12360 Market Avenue North
Hartville, Ohio 44632

We have reviewed the *Independent Accountants' Report* of Lake Township, Stark County, prepared by Perry & Associates, CPA's, A.C. for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

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. Lake Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 15, 2006

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**LAKE TOWNSHIP
STARK COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

July 24, 2006

Lake Township
Stark County
12360 Market Avenue, North
Hartville, Ohio 44632

To the Board of Trustees:

We have audited the accompanying financial statements of the Lake Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately beginning in 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits.

Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004 or their changes in financial position for the year then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted

Perry and Associates
Certified Public Accountants, A.C.

**LAKE TOWNSHIP
STARK COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$66,929	\$3,873,973	\$129,683		\$4,070,585
Intergovernmental	687,944	757,068			1,445,012
Special Assessments				108,908	108,908
Charges for Services	126,470	1,500			127,970
Licenses, Permits, and Fees	70,316	1,100			71,416
Fines and Forfeitures	5,822	12,871			18,693
Earnings on Investments	84,205	4,683			88,888
Other Revenue	14,766	91,471			106,237
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	1,056,452	4,742,666	129,683	108,908	6,037,709
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Cash Disbursements:					
Current:					
General Government	525,865				525,865
Public Safety		2,881,954			2,881,954
Public Works	539	1,841,416		87,577	1,929,532
Health	113,215	6,211			119,426
Debt Service:					
Redemption of Principal	94,680		104,893		199,573
Interest and Fiscal Charges			24,790		24,790
Capital Outlay		175,909		5,140	181,049
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Total Cash Disbursements	734,299	4,905,490	129,683	92,717	5,862,189
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Total Receipts Over/(Under) Disbursements	322,153	(162,824)	0	16,191	175,520
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets		20,500			20,500
Transfers-In				50,000	50,000
Transfers-Out		(50,000)			(50,000)
Other Sources/(Uses)	562	(12,087)			(11,525)
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Total Other Financing Receipts/(Disbursements)	562	(41,587)	0	50,000	8,975
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Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	322,715	(204,411)	0	66,191	184,495
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	566,972	969,428	0	292,131	1,828,531
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$889,687</u>	<u>\$765,017</u>	<u>\$0</u>	<u>\$358,322</u>	<u>\$2,013,026</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$13,969	\$95,491	\$0	\$2,498	\$111,958
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**LAKE TOWNSHIP
STARK COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$93,741	\$3,794,203	\$103,232		\$3,991,176
Intergovernmental	428,827	717,291			1,146,118
Special Assessments				102,066	102,066
Charges for Services	114,066	6,715			120,781
Licenses, Permits, and Fees	78,975	1,900			80,875
Fines and Forfeitures	8,618	928			9,546
Earnings on Investments	28,297	1,975			30,272
Other Revenue	22,090	9,293			31,383
Total Cash Receipts	774,614	4,532,305	103,232	102,066	5,512,217
Cash Disbursements:					
Current:					
General Government	537,644				537,644
Public Safety	1,327	2,915,910			2,917,237
Public Works		1,682,129		52,751	1,734,880
Health	106,990	8,259			115,249
Conservation - Recreation	520				520
Miscellaneous		8,175			8,175
Debt Service:					
Redemption of Principal			104,893		104,893
Interest and Fiscal Charges			29,899		29,899
Capital Outlay				27,998	27,998
Total Cash Disbursements	646,481	4,614,473	134,792	80,749	5,476,495
Total Receipts Over/(Under) Disbursements	128,133	(82,168)	(31,560)	21,317	35,722
Other Financing Receipts and (Disbursements):					
Transfers-In				50,000	50,000
Advances-In	40,000				40,000
Transfers-Out		(50,000)			(50,000)
Advances-Out		(10,000)		(30,000)	(40,000)
Total Other Financing Receipts/(Disbursements)	40,000	(60,000)	0	20,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	168,133	(142,168)	(31,560)	41,317	35,722
Fund Cash Balances, January 1	398,839	1,111,596	31,560	250,814	1,792,809
Fund Cash Balances, December 31	\$566,972	\$969,428	\$0	\$292,131	\$1,828,531
Reserve for Encumbrances, December 31	\$20,213	\$165,586	\$0	\$453	\$186,252

**LAKE TOWNSHIP
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Lake Township, Stark County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, park operations, and police protection. The Township contracts with the Greentown, Hartville, and Uniontown Volunteer Fire Departments to provide fire protection services.

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

B. Basis of Accounting

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

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

C. Cash 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.

Certificates of deposit and repurchase agreement (overnight sweep) are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**LAKE TOWNSHIP
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Police District Fund - This fund is used to account for a portion of property tax revenue received and used for the purposes of maintaining the Township police department.

Fire District Fund - This fund is used to account for a portion of property tax revenue received and used for the purposes of providing fire protection services for the Township.

Road and Bridge Fund - This fund receives property taxes and intergovernmental receipts for constructing, maintaining and repairing Township roads and bridges.

Road District Fund - This fund receives property taxes for constructing, maintaining and repairing Township roads.

3. Debt Service Funds

The Debt Service Fund is used to accumulate resources for the payment of bonds indebtedness.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Funds:

Lighting Assessment Funds – These funds receive special assessment taxes from the residents of certain areas for the purpose of obtaining and maintaining street lighting within those areas.

Capital Projects Fire Fund – This fund receives transfers from the Fire District Fund to be used for the future construction of a new fire station.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**LAKE TOWNSHIP
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2005 and 2004 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments 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:

**LAKE TOWNSHIP
STARK COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2005	2004
Demand deposits	(\$129,974)	(\$115,469)
Certificates of deposit	2,028,000	1,864,000
Total deposits	1,898,026	1,748,531
Repurchase agreement	115,000	80,000
Total investments	115,000	80,000
Total deposits and investments	\$2,013,026	\$1,828,531

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

Investments: The Township invests in Repurchase Agreements. These are valued at cost.

3. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,054,920	\$1,057,014	\$2,094
Special Revenue	4,753,317	4,763,166	9,849
Debt Service	129,683	129,683	0
Capital Projects	159,300	158,908	(392)
Total	\$6,097,220	\$6,108,771	\$11,551

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,621,891	\$748,268	\$873,623
Special Revenue	5,722,745	5,063,068	659,677
Debt Service	129,683	129,683	0
Capital Projects	451,431	95,215	356,216
Total	\$7,925,750	\$6,036,234	\$1,889,516

**LAKE TOWNSHIP
STARK COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$812,572	\$814,614	\$2,042
Special Revenue	4,538,650	4,532,305	(6,345)
Debt Service	103,232	103,232	0
Capital Projects	152,066	152,066	0
Total	\$5,606,520	\$5,602,217	(\$4,303)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,211,410	\$666,694	\$544,716
Special Revenue	5,590,247	4,840,059	750,188
Debt Service	134,792	134,792	0
Capital Projects	372,881	111,202	261,679
Total	\$7,309,330	\$5,752,747	\$1,556,583

4. PROPERTY TAXES

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

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

Tangible personal property taxes are 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.

**LAKE TOWNSHIP
STARK COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$293,332	5.16%

The general obligation bonds were issued to finance the cost of acquiring real estate and the construction of a building to be used by the Township Road Department at the Midway Street site. The bonds are collateralized solely by the Township's taxing authority.

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

	General Obligation Bonds
Year ending December 31:	
2006	88,469
2007	84,685
2008	80,901
2009	77,120
Total	\$331,175

The Township had real estate acquisition bonds in which they paid off early during 2005 with a principal payment of \$94,680 made from the General Fund.

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement 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 2005 and 2004, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. Law enforcement officers contributed 10.1% of their gross salaries and the Township contributed an amount equal to 16.7% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**LAKE TOWNSHIP
STARK COUNTY**

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

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Property
- General liability
- Public officials' liability
- Employee benefits liability
- Boiler and machinery
- Vehicles
- Commercial Inland Marine
- Employers liability

The Township also provides health, dental, and vision coverage to full-time employees through a commercial insurance provider.

8. CONTINGENT LIABILITIES

The Township is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. JOINTLY GOVERNED ORGANIZATIONS

The Stark Council of Governments (SCOG) is a statutorily created political subdivision of Ohio for purposes of 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. SCOG 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 SCOG operations. Complete financial statements may be obtained from the Regional Planning Commission, Stark County, Ohio.

The Stark County Regional Planning Commission (SCRPC) is a statutorily created political subdivision of Ohio for the purpose of formulating and reviewing plans affecting long and short term social, economic, and governmental development within the region. The Commission is jointly governed among municipalities and townships located in Stark County. Each member's control over the operation of SCRPC is limited to its representation on the Board which consists of 61 members. The Board exercises total control over SCRPC operations. Complete financial statements may be obtained from the Regional Planning Commission, Stark County, Ohio.

Perry & Associates
Certified Public Accountants, A.C.

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

July 24, 2006

Lake Township
Stark County
12360 Market Avenue, North
Hartville, Ohio 44632

To the Board of Trustees:

We have audited the financial statements of Lake Township, Stark County, (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 24, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standard*.

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

Perry and Associates
Certified Public Accountants, A.C.



**Auditor of State
Betty Montgomery**

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LAKE 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
SEPTEMBER 28, 2006**