



**LAKE TOWNSHIP
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**LAKE TOWNSHIP
WOOD COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Wood County, Ohio (the Township), as of and for the year ended December 31, 2005, 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Wood County, Ohio, as of December 31, 2005, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Cemetery, Emergency Medical Services, Police and Fire funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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For the year ended December 31, 2005, 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*, we have also issued our report dated December 4, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

December 4, 2006

**LAKE TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of Lake Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$26,854, a one percent increase from the prior year.
- The Township's general receipts are primarily property taxes. These receipts represent fifty percent of the total cash received for governmental activities during the year. Property receipts for 2005 changed very little compared to the previous year.
- The Townships debt obligations for 2005 were for the new fire station and 4 police cars.
- The Township had increased cost in health insurance.

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 Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township 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.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township 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 Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**LAKE TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

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 Township did financially during 2005, within the limitations of the modified cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program 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 activity draws from the Township's general receipts.

These statements report the Township'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 Township's financial health. Over time, increases or decreases in the Township's cash position are indicators of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township'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, we report governmental activities which include the Township's basic services such as police and fire protection, emergency medical services, road maintenance, garbage pick up and maintaining cemetery and park facilities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township 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.

All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township'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 Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for

**LAKE TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

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 Township's major governmental fund is the General, E.M.S., Cemetery, Fire and Police funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis.

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	<u>\$1,922,357</u>	<u>\$1,895,503</u>
Restricted for:		
Capital Projects	\$24,728	\$23,796
Debt Service		78,573
Other Purposes	1,084,983	1,192,129
Unrestricted	812,646	601,005
Total Net Assets	<u>\$1,922,357</u>	<u>\$1,895,503</u>

As mentioned previously, net assets of governmental activities increased \$26,854 during 2005. The primary reasons contributing to the increase was a slight increase in Real Estate Tax Revenue.

Table 2 reflects the changes in net assets on a modified cash basis in 2005 for governmental activities. Because this is the first year the Township has prepared cash basis financial statements following GASB Statement 34, cash receipt and cash disbursement comparisons to fiscal year 2004 have not been compiled. In future years, when prior year information has been compiled, a comparative analysis of governmental data will be presented.

**LAKE TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	Governmental Activities <u>2005</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$600,913
Operating Grants and Contributions	383,166
Capital Grants and Contributions	49,891
Total Program Receipts	<u>1,033,970</u>
General Receipts:	
Property and Other Local Taxes	1,785,597
Other Taxes	51,371
Cable Franchise Fees	66,420
Grants and Entitlements Not Restricted to Specific Programs	402,748
Sale of Notes	134,000
Interest	45,692
Miscellaneous	17,887
Total General Receipts	<u>2,503,715</u>
Total Receipts	<u>3,537,685</u>
Disbursements:	
General Government	335,639
Public Safety	1,788,449
Public Works	590,380
Health	207,423
Conservation-Recreation	25,492
Capital Outlay	145,775
Principal Retirement	404,380
Interest and Fiscal Charges	13,293
Total Disbursements	<u>3,510,831</u>
Increase in Net Assets	26,854
Net Assets, January 1, 2005	<u>1,895,503</u>
Net Assets, December 31, 2005	<u>\$1,922,357</u>

Program receipts represent only 30 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees, EMS charges, trash pickup charges and charges to the Village of Walbridge and City of Rossford for police dispatching services provided under contract.

General receipts represent 70 percent of the Township's total receipts. Local taxes and State grants and entitlements make up most of the balance of the Township's general receipts (92 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

**LAKE TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of Trustees, and the Fiscal Officer, as well as internal services such as payroll and purchasing.

Public Safety is the cost of police and fire protection; Health is the cost of operating the cemetery and Conservation-Recreation is the cost of maintaining the parks and playing fields.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Safety which accounts for \$1,788,449 of all governmental disbursements. 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 Township 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.

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$335,639	\$326,751
Public Safety	1,788,449	1,360,666
Public Works	590,380	202,992
Health	191,154	32,564
Conservation-Recreation	25,492	24,062
Capital Outlay	162,044	112,153
Principal Retirement	404,380	404,380
Interest and Fiscal Charges	13,293	13,293
Total Expenses	\$3,510,831	\$2,476,861

The dependence upon property tax receipts is apparent as over \$2,476,861 of governmental activities are supported through these general receipts.

**LAKE TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The Township's Funds

Total governmental funds had receipts and other financing source of \$ 3,862,685 and disbursements and other financing uses of \$3,835,831. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$211,641 as the result of expending Health Care, Life Insurance, Dental Insurance, Property Insurance and Workers Compensation from the funds where the cost occurred.

The Police Fund receipts were lower than disbursements by \$35,101 as present levies do not support the police disbursement and the Trustees have recommended that General Fund be used to support police protection.

General Fund Budgeting Highlights

The Township'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.

Final disbursements and other financing uses were budgeted at \$1,657,927 while actual disbursements and other financing uses were \$910,595. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$211,641 for 2005.

Capital Assets and Debt Administration

Capital Assets

The Township does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Debt

At December 31, 2005, the Township's outstanding debt included \$134,000 in Notes issued for buildings construction and \$32,000 in capital loans for equipment. For further information regarding the Township's debt, refer to Note 11 to the basic financial statements.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township'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 Ray McLargin, Fiscal-Officer, Lake Township, 27975 Cummings Road, Millbury, Ohio 43447-9762.

**LAKE TOWNSHIP
WOOD COUNTY**

*Statement of Net Assets - Modified Cash Basis
December 31, 2005*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,922,357
<i>Total Assets</i>	<u><u>\$1,922,357</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$24,728
Other Purposes	1,084,983
Unrestricted	812,646
<i>Total Net Assets</i>	<u><u>\$1,922,357</u></u>

See accompanying notes to the basic financial statements

**LAKE TOWNSHIP
WOOD COUNTY**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
General Government	\$335,639	\$8,888		(\$326,751)	
Public Safety	1,788,449	286,672	\$141,111	(1,360,666)	
Public Works	590,380	145,333	242,055	(202,992)	
Health	191,154	158,590		(32,564)	
Conservation-Recreation	25,492	1,430		(24,062)	
Capital Outlay	162,044		\$49,891	(112,153)	
Debt Service:					
Principal	404,380			(404,380)	
Interest	13,293			(13,293)	
<i>Total Governmental Activities</i>	<u>\$3,510,831</u>	<u>\$600,913</u>	<u>\$383,166</u>	<u>\$49,891</u>	<u>(2,476,861)</u>
General Receipts					
Property Taxes:					
General				263,732	
EMS				114,655	
Fire				385,085	
Police				689,344	
Road and Bridge Maintenance				232,781	
Debt Service				100,000	
Other Taxes				51,371	
Cable Franchise Fees				66,420	
Grants and Entitlements not Restricted to Specific Programs				402,748	
Sale of Notes				134,000	
Earnings on Investments				45,692	
Miscellaneous				17,887	
<i>Total General Receipts</i>				<u>2,503,715</u>	
Change in Net Assets				26,854	
<i>Net Assets Beginning of Year</i>				<u>1,895,503</u>	
<i>Net Assets End of Year</i>				<u>\$1,922,357</u>	

See accompanying notes to the basic financial statements

**LAKE TOWNSHIP
WOOD COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	General	Cemetery	EMS Special Levy	Fire Special Levy	Police Special Levy	Other Governmental Funds	Total
Assets							
Equity in Pooled Cash and Cash Equivalents	\$812,646	\$235,268	\$245,574	\$243,562	(\$2,627)	\$387,934	\$1,922,357
<i>Total Assets</i>	<u>\$812,646</u>	<u>\$235,268</u>	<u>\$245,574</u>	<u>\$243,562</u>	<u>(\$2,627)</u>	<u>\$387,934</u>	<u>\$1,922,357</u>
Fund Balances							
Unreserved:							
Undesignated Reported in:							
General Fund	\$812,646						\$812,646
Special Revenue Funds		235,268	245,574	243,562	(2,627)	\$363,206	1,084,983
Capital Projects Funds						24,728	24,728
<i>Total Fund Balances</i>	<u>\$812,646</u>	<u>\$235,268</u>	<u>\$245,574</u>	<u>\$243,562</u>	<u>(\$2,627)</u>	<u>\$387,934</u>	<u>\$1,922,357</u>

See accompanying notes to the basic financial statements

**LAKE TOWNSHIP
WOOD COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Cemetery	EMS Special Levy	Fire Special Levy	Police Special Levy	Other Governmental Funds	Total
Receipts							
Property and Other Local Taxes	\$315,102		\$114,655	\$385,085	\$689,344	\$332,782	\$1,836,968
Charges for Services	224,290	\$2,415	44,090			131,117	401,912
Licenses, Permits and Fees	75,308	87,765				4,905	167,978
Fines and Forfeitures	17,047					1,244	18,291
Intergovernmental	420,684		14,942	72,538	83,299	193,571	785,034
Special Assessments						9,361	9,361
Earnings on Investments	45,473					4,568	50,041
Miscellaneous	24,332	68,790		24,877	2,288	10,740	131,027
Total Receipts	1,122,236	158,970	173,687	482,500	774,931	688,288	3,400,612
Disbursements							
Current:							
General Government	327,758					7,881	335,639
Public Safety	166,684		133,576	408,991	1,079,198		1,788,449
Public Works	6,685					583,695	590,380
Health		191,154					191,154
Conservation-Recreation	25,492						25,492
Capital Outlay	58,976	16,269	13,328	13,166	22,506	37,799	162,044
Debt Service:							
Principal Retirement				71,367	30,380	302,633	404,380
Interest and Fiscal Charges					3,353	9,940	13,293
Total Disbursements	585,595	207,423	146,904	493,524	1,135,437	941,948	3,510,831
Excess of Receipts Over (Under) Disbursements	536,641	(48,453)	26,783	(11,024)	(360,506)	(253,660)	(110,219)
Other Financing Sources (Uses)							
Sale of Notes						134,000	134,000
Transfers In					325,000		325,000
Transfers Out	(325,000)						(325,000)
Other Financing Sources				2,059	405	609	3,073
Total Other Financing Sources (Uses)	(325,000)			2,059	325,405	134,609	137,073
Net Change in Fund Balances	211,641	(48,453)	26,783	(8,965)	(35,101)	(119,051)	26,854
Fund Balances Beginning of Year	601,005	283,721	218,791	252,527	32,474	506,985	1,895,503
Fund Balances End of Year	<u>\$812,646</u>	<u>\$235,268</u>	<u>\$245,574</u>	<u>\$243,562</u>	<u>(\$2,627)</u>	<u>\$387,934</u>	<u>\$1,922,357</u>

See accompanying notes to the basic financial statements

**LAKE TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$299,550	\$299,550	\$315,102	\$15,552
Charges for Services	225,250	225,250	224,290	(960)
Licenses, Permits and Fees	104,378	104,378	75,308	(29,070)
Fines and Forfeitures	9,410	9,410	17,047	7,637
Intergovernmental	286,640	286,640	420,684	134,044
Earnings on Investments	39,100	39,100	45,473	6,373
Miscellaneous	93,394	93,394	24,332	(69,062)
<i>Total receipts</i>	<u>1,057,722</u>	<u>1,057,722</u>	<u>1,122,236</u>	<u>64,514</u>
Disbursements				
Current:				
General Government	428,800	440,300	327,758	112,542
Public Safety	168,600	168,600	166,684	1,916
Public Works	61,500	111,500	6,685	104,815
Conservation-Recreation	41,100	41,100	25,492	15,608
Capital Outlay	99,000	120,000	58,976	61,024
<i>Total Disbursements</i>	<u>799,000</u>	<u>881,500</u>	<u>585,595</u>	<u>295,905</u>
<i>Excess of Receipts Over Disbursements</i>	<u>258,722</u>	<u>176,222</u>	<u>536,641</u>	<u>360,419</u>
Other Financing Uses				
Transfers Out	(500,000)	(500,000)	(325,000)	175,000
Other Financing Uses	(358,927)	(276,427)		276,427
<i>Total Other Financing Uses</i>	<u>(858,927)</u>	<u>(776,427)</u>	<u>(325,000)</u>	<u>451,427</u>
<i>Net Change in Fund Balance</i>	(600,205)	(600,205)	211,641	811,846
<i>Fund Balance Beginning of Year</i>	<u>601,005</u>	<u>601,005</u>	<u>601,005</u>	
<i>Fund Balance End of Year</i>	<u><u>\$800</u></u>	<u><u>\$800</u></u>	<u><u>\$812,646</u></u>	<u><u>\$811,846</u></u>

See accompanying notes to the basic financial statements

**LAKE TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Cemetery Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Charges for Services	\$2,100	\$2,100	\$2,415	\$315
Licenses, Permits and Fees	117,100	117,100	87,765	(29,335)
Miscellaneous	97,000	97,000	68,790	(28,210)
<i>Total receipts</i>	216,200	216,200	158,970	(57,230)
Disbursements				
Current:				
Health	266,600	266,600	191,154	75,446
Capital Outlay	233,321	233,321	16,269	217,052
<i>Total Disbursements</i>	499,921	499,921	207,423	292,498
<i>Net Change in Fund Balance</i>	(283,721)	(283,721)	(48,453)	235,268
<i>Fund Balance Beginning of Year</i>	283,721	283,721	283,721	
<i>Fund Balance End of Year</i>			\$235,268	\$235,268

See accompanying notes to the basic financial statements

**LAKE TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Emergency Medical Services
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$114,300	\$114,300	\$114,655	\$355
Charges for Services	38,300	38,300	44,090	5,790
Intergovernmental	9,146	9,146	14,942	5,796
<i>Total receipts</i>	<u>161,746</u>	<u>161,746</u>	<u>173,687</u>	<u>11,941</u>
Disbursements				
Current:				
Public Safety	230,537	230,537	133,576	96,961
Capital Outlay	150,000	150,000	13,328	136,672
<i>Total Disbursements</i>	<u>380,537</u>	<u>380,537</u>	<u>146,904</u>	<u>233,633</u>
<i>Net Change in Fund Balance</i>	(218,791)	(218,791)	26,783	245,574
<i>Fund Balance Beginning of Year</i>	<u>218,791</u>	<u>218,791</u>	<u>218,791</u>	
<i>Fund Balance End of Year</i>			<u><u>\$245,574</u></u>	<u><u>\$245,574</u></u>

See accompanying notes to the basic financial statements

**LAKE TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$464,176	\$464,176	\$385,085	(\$79,091)
Intergovernmental	199,500	199,500	72,538	(126,962)
Miscellaneous	4,845	4,845	24,877	20,032
<i>Total receipts</i>	<u>668,521</u>	<u>668,521</u>	<u>482,500</u>	<u>(186,021)</u>
Disbursements				
Current:				
Public Safety	498,500	498,500	408,991	89,509
Capital Outlay	41,248	41,248	13,166	28,082
Debt Service:				
Principal Retirement	77,000	77,000	71,367	5,633
<i>Total Disbursements</i>	<u>616,748</u>	<u>616,748</u>	<u>493,524</u>	<u>123,224</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>51,773</u>	<u>51,773</u>	<u>(11,024)</u>	<u>(62,797)</u>
Other Financing Sources (Uses)				
Transfers Out	(123,000)	(200,000)		200,000
Other Financing Sources			2,059	2,059
Other Financing Uses	(104,300)	(104,300)		104,300
<i>Net Change in Fund Balance</i>	(175,527)	(252,527)	(8,965)	243,562
<i>Fund Balance Beginning of Year</i>	<u>254,586</u>	<u>254,586</u>	<u>252,527</u>	<u>(2,059)</u>
<i>Fund Balance End of Year</i>	<u>\$79,059</u>	<u>\$2,059</u>	<u>\$243,562</u>	<u>\$241,503</u>

See accompanying notes to the basic financial statements

**LAKE TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$671,904	\$671,904	\$689,344	\$17,440
Intergovernmental	240,010	240,010	83,299	(156,711)
Miscellaneous	12,000	12,000	2,288	(9,712)
<i>Total receipts</i>	<u>923,914</u>	<u>923,914</u>	<u>774,931</u>	<u>(148,983)</u>
Disbursements				
Current:				
Public Safety	1,080,440	1,110,440	1,079,198	31,242
Capital Outlay	40,000	60,000	22,506	37,494
Debt Service:				
Principal Retirement	31,000	31,000	30,380	620
Interest and Fiscal Charges	4,000	4,000	3,353	647
<i>Total Disbursements</i>	<u>1,155,440</u>	<u>1,205,440</u>	<u>1,135,437</u>	<u>70,003</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(231,526)</u>	<u>(281,526)</u>	<u>(360,506)</u>	<u>(78,980)</u>
Other Financing Sources (Uses)				
Transfers In	250,000	250,000	325,000	75,000
Other Financing Sources			405	405
Other Financing Uses	(50,948)	(948)		948
<i>Total Other Financing Sources (Uses)</i>	<u>199,052</u>	<u>249,052</u>	<u>325,405</u>	<u>76,353</u>
<i>Net Change in Fund Balance</i>	(32,474)	(32,474)	(35,101)	(2,627)
<i>Fund Balance Beginning of Year</i>	<u>32,474</u>	<u>32,474</u>	<u>32,474</u>	
<i>Fund Balance End of Year</i>			<u>(\$2,627)</u>	<u>(\$2,627)</u>

See accompanying notes to the basic financial statements

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 – REPORTING ENTITY

Lake Township, Wood County, Ohio (the Township), is a body politic and corporate established in 1844 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 Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

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 government services, maintenance of Township roads, cemetery maintenance, Police protection and Fire protection. The Township contracts with the Life Star Ambulance & Ambulette Service to provide ambulance services. The Township contracts with Life Star for dispatching service.

B. The Township has no Component Units.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Based on this criteria, the Township has no component units.

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

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 *modified* cash basis of accounting. In the government-wide financial statements, 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.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental-type 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. 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 and receipts of interest earned on grants that is required to be used to support 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 is self-financing on a *modified* 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single 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 governmental.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 as follows:

1. General 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.

2. Cemetery Fund

The Cemetery Fund receives revenue from sale of lots and burials for cemetery upkeep.

3. Police Fund

The Police Fund receives property tax monies for providing police services within the Township.

4. Fire Fund

The Fire Fund receives property tax monies for providing fire protection within the Township.

5. EMS Fund

The EMS fund receives property tax and charges for services to provide EMS services within the Township.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the *modified* cash basis of accounting. 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.

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 liabilities and the related expenses) are not recorded in these financial statements.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

D. Budgetary Process

All 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 resolution, 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 Resolution 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, department, and object level 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 Fiscal Officer. 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 resolution 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

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$45,473 which includes \$19,440 assigned from other Township funds.

F. Restricted Assets

Cash is 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. There are no restricted assets.

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.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

H. Capital Assets

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

I. 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.

J. 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. 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.

L. Fund Balance Reserves

Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

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. There were no adjustments to beginning fund balances since the basis of accounting has not changed.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Police Fund had a deficit cash balance of \$2,627. The deficit occurred as the result of audit adjustment made to the books. This deficit has been eliminated in 2006.

B. Compliance

Contrary to Ohio Law, the Township Fiscal Officer did not always certify the availability of funds for expenditure.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – 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 and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between budgetary basis and the modified cash basis in as much as the Township cancels outstanding year end encumbrances.

NOTE 6 – DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active 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 Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of 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 held by the Township can 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;

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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).

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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,812,357 of the Township's bank balance of \$2,021,390 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 7 –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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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 annually or 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.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, 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.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 7 –PROPERTY TAXES – (CONTINUED)

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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 assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

	<u>Includes Municipalities</u>	<u>Excludes Municipalities</u>
Residential	\$129,539,180	\$83,716,120
Agricultural	5,125,380	5,033,710
Other RE	46,917,160	40,310,010
Public Utility Real	1,241,850	874,250
Public Utility Personal	16,161,000	11,961,530
General Personal	27,473,140	20,551,759
Total	<u><u>\$226,457,710</u></u>	<u><u>\$162,447,379</u></u>

NOTE 8 – RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – RISK MANAGEMENT – (CONTINUED)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

NOTE 9 – 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.

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, 2005, 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 --percent of their annual covered salary. The Township's contribution rate for pension benefits for 2005 was 13.55 percent, except for those plan members in law enforcement. For those classifications, the Township's pension contributions were 16.7 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, 2005, 2004, and 2003, were \$182,549, \$171,157, and \$169,647 respectively. The full amount has been contributed for 2005, 2004, and 2003.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - 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 2005 local government employer contribution rate was 13.55 percent of covered payroll and 16.7 percent for law enforcement; 4 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.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$48,173. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 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.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 – DEBT

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance December 31, 2005</u>	<u>Due within one Year</u>
Fire Station Construction General Obligation Bond Anticipation Note	2.65%	\$374,000	\$134,000	(\$374,000)	\$134,000	134,000
Police Cars Commercial Loan	5.30%	62,380		(30,380)	32,000	32,000
Total		<u>\$436,380</u>	<u>\$134,000</u>	<u>(\$404,380)</u>	<u>\$166,000</u>	<u>166,000</u>

The general obligation bond anticipation notes and commercial loan 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:

<u>Year</u>	<u>General Obligation Bond Anticipation Note</u>		<u>Commercial Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$134,000	\$3,551	\$32,000	\$1,733

The Township did not exceed the 5.5 percent of the tax valuation of the Township for unvoted obligation debt for 2005 as per Ohio Revised Code.

NOTE 12 – INTERFUND TRANSFERS

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Major Governmental Fund – Police	\$ 325,000

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The Township transfers from the General Fund to Police Fund each year as Police Revenue Is not sufficient for expenses, and therefore transfers from General Fund supports expenses in Police Fund.

NOTE 13 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Wood County (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated December 4, 2006, in which we disclosed the Township prepares its financial statements on the modified cash basis of accounting. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinions 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. In a separate letter to the Township's management dated December 4, 2006, we reported other matters involving internal control over financial reporting we did not deem a reportable conditions.

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, and contracts, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002.

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

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

Betty Montgomery
Auditor of State

December 4, 2006

LAKE TOWNSHIP
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For twenty-eight percent of the transactions tested, proper prior certification was not obtained nor was a then and now certificate utilized. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Township funds being over expended or exceeding budgetary spending limitations as set by the Board. Also, the Board did not establish the amounts for the blanket certificates issued, as required by law.

To improve controls over disbursements, it is recommended that all Township non-payroll disbursements receive prior certification of the fiscal officer. When that is not possible, a Then and Now Certificate should be executed. In addition we recommend the Trustees set a limit for blanket certificates.

Officials Response:

We received no response to this finding.

FINDING NUMBER 2005-002

Ohio Revised Code § 5705.10 requires money paid into any fund shall be used only for the purpose for which such fund is established. Deficit fund balances denote that other funds' monies were used to cover expenditures. The Police Fund had a deficit balance of \$2,627 at year end which was a result from audit adjustments made for Fire Fund receipts that were originally posted to the Police Fund.

We recommend the Fiscal Officer and Trustees monitor revenue postings to the funds in order to detect and correct posting errors timely.

Officials Response:

We received no response to this finding.

LAKE TOWNSHIP
WOOD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	The Fiscal Officer did not certify the availability of funds.	No	Repeated as Finding 2005-001.



**Auditor of State
Betty Montgomery**

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LAKE TOWNSHIP

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2006**