



Dave Yost • Auditor of State

**LAKE TOWNSHIP
WOOD COUNTY**

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Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 28, 2012

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Dave Yost • Auditor of State

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 Lake Township, Wood County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010. 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. 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Lake Township, Wood County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2012, 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.



Dave Yost
Auditor of State

August 28, 2012

**LAKETOWNSHIP
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$273,898	\$1,782,941			\$2,056,839
Charges for Services	170,712	135,725			306,437
Licenses, Permits and Fees	75,670	100,180			175,850
Fines and Forfeitures	14,308	75,805			90,113
Intergovernmental	265,163	697,504			962,667
Special Assessments		19,173			19,173
Earnings on Investments	6,317	159			6,476
Miscellaneous	2,960	66,770		\$218	69,948
<i>Total Cash Receipts</i>	<u>809,028</u>	<u>2,878,257</u>		<u>218</u>	<u>3,687,503</u>
Cash Disbursements					
Current:					
General Government	332,671				332,671
Public Safety	191,895	1,947,202			2,139,097
Public Works	6,960	529,384			536,344
Health		164,867			164,867
Conservation-Recreation	42,092				42,092
Other				9,273	9,273
Capital Outlay	60,100	139,223		2,283,583	2,482,906
Debt Service:					
Principal Retirement	10,676	33,971			44,647
Interest and Fiscal Charges	11,729	13,199			24,928
<i>Total Cash Disbursements</i>	<u>656,123</u>	<u>2,827,846</u>		<u>2,292,856</u>	<u>5,776,825</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>152,905</u>	<u>50,411</u>		<u>(2,292,638)</u>	<u>(2,089,322)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets		62,100			62,100
Debt Proceeds				500,000	500,000
Other Financing Sources - Insurance Claims				1,020,520	1,020,520
<i>Total Other Financing Receipts (Disbursements)</i>		<u>62,100</u>		<u>1,520,520</u>	<u>1,582,620</u>
<i>Net Change in Fund Cash Balances</i>	152,905	112,511		(772,118)	(506,702)
<i>Fund Cash Balances, January 1</i>	<u>1,792,305</u>	<u>1,163,758</u>	<u>\$483</u>	<u>777,181</u>	<u>3,733,727</u>
Fund Cash Balances, December 31					
Restricted		1,276,269	483		1,276,752
Committed				5,063	5,063
Assigned	80,754				80,754
Unassigned	1,864,456				1,864,456
<i>Fund Cash Balances, December 31</i>	<u>\$1,945,210</u>	<u>\$1,276,269</u>	<u>\$483</u>	<u>\$5,063</u>	<u>\$3,227,025</u>

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

LAKE TOWNSHIP
WOOD COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Private Purpose Trust</u>
Operating Cash Receipts	
Earnings on Investments	<u>\$90</u>
<i>Net Change in Fund Cash Balances</i>	90
<i>Fund Cash Balances, January 1</i>	<u>16,546</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$16,636</u></u>

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

**LAKE TOWNSHIP
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$273,329	\$1,774,153			\$2,047,482
Charges for Services	240,166	96,387			336,553
Licenses, Permits, and Fees	89,388	106,210			195,598
Fines and Forfeitures	13,783	15,762			29,545
Intergovernmental	285,458	795,529			1,080,987
Special Assessments		21,101			21,101
Earnings on Investments	4,654	199			4,853
Miscellaneous	14,549	107,250			121,799
<i>Total Cash Receipts</i>	<u>921,327</u>	<u>2,916,591</u>			<u>3,837,918</u>
Cash Disbursements:					
Current:					
General Government	382,790				382,790
Public Safety	173,081	1,882,167			2,055,248
Public Works	8,081	502,865			510,946
Health	15,454	150,076			165,530
Conservation - Recreation	31,172				31,172
Other				\$34,931	34,931
Capital Outlay	162,166	120,528		921,786	1,204,480
Debt Service:					
Redemption of Principal		68,396			68,396
Interest and Other Fiscal Charges		13,721			13,721
<i>Total Cash Disbursements</i>	<u>772,744</u>	<u>2,737,753</u>		<u>956,717</u>	<u>4,467,214</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>148,583</u>	<u>178,838</u>		<u>(956,717)</u>	<u>(629,296)</u>
Other Financing Receipts / (Disbursements):					
Sale of Capital Assets		19,057			19,057
Transfers-In		15,000			15,000
Transfers-Out	(15,000)				(15,000)
Advances-In	150,000	150,000			300,000
Advances-Out	(150,000)	(150,000)			(300,000)
Other Financing Sources - Insurance Claims				1,731,380	1,731,380
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(15,000)</u>	<u>34,057</u>		<u>1,731,380</u>	<u>1,750,437</u>
<i>Net Change in Fund Cash Balances</i>	133,583	212,895		774,663	1,121,141
<i>Fund Cash Balances, January 1</i>	<u>1,658,722</u>	<u>950,863</u>	<u>\$483</u>	<u>2,518</u>	<u>2,612,586</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,792,305</u>	<u>\$1,163,758</u>	<u>\$483</u>	<u>\$777,181</u>	<u>\$3,733,727</u>
<i>Reserve for Encumbrances, December 31</i>		<u>\$25,956</u>		<u>\$1,132,128</u>	<u>\$1,158,084</u>

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

LAKE TOWNSHIP
WOOD COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Private Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments	<u>\$120</u>
<i>Net Change in Fund Cash Balances</i>	120
<i>Fund Cash Balances, January 1</i>	<u>16,426</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$16,546</u></u>

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

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Lake Township, Wood County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with LifeStar Ambulance to provide ambulance services and with LifeStar Inc. to provide dispatching services.

The Township participates in one jointly governed organization and the Ohio Government Risk Management public entity risk pool. Note 7 to the financial statements provides additional information for the risk pool. These organizations are:

Jointly Governed Organizations:

The Lake Township – City of Toledo Joint Economic Development District (JEDD) was created in 2009. The purpose of the JEDD is to promote and facilitate economic development of Toledo Executive Airport and other such properties as identified by the Township and the City and to create or preserve jobs and employment opportunities and improve the economic welfare of those residing in the area.

Public Entity Risk Pool:

This organization is an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Special Levy - Fire Fund - This fund receives property tax money from a special levy for Township fire protection.

Special Levy - Police Fund - This fund receives property tax money from a special levy for Township police protection.

3. Debt Service Funds

The General Bond Fund is used to accumulate resources to pay debt.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Rebuild Lake Township Fund - The fund is used for the construction of the rebuild of the Township administration facility destroyed by the June 5, 2010 tornado.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust funds are for the benefit of certain individuals' graves.

E. Budgetary Process

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

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, and then at object level of personal service, capital outlay, and all other 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying financial statements and budgetary presentations for material items that should have been encumbered.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For 2011, the Township has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the previously reported fund balances.

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Equity in Pooled Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2011	2010
Demand deposits	\$2,983,661	\$3,490,273
Certificates of deposit	260,000	260,000
Total deposits	\$3,243,661	\$3,750,273

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$812,563	\$809,028	(\$3,535)
Special Revenue	2,944,791	2,940,357	(4,434)
Capital Projects	1,520,738	1,520,738	
Trust	100	90	(10)
Total	\$5,278,192	\$5,270,213	(\$7,979)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,258,100	\$736,877	\$521,223
Special Revenue	3,463,926	2,835,974	627,952
Capital Projects	3,430,028	2,297,641	1,132,387
Trust	2,550	2,550	
Total	\$8,154,604	\$5,870,492	\$2,284,112

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$877,788	\$921,327	\$43,539
Special Revenue	2,786,288	2,950,648	164,360
Capital Projects	1,705,936	1,731,380	25,444
Trust	250	120	(130)
Total	\$5,370,262	\$5,603,475	\$233,213

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,568,552	\$787,744	\$780,808
Special Revenue	3,335,184	2,763,709	571,475
Capital Projects	1,708,436	2,088,845	(380,409)
Trust	3,225		3,225
Total	\$6,615,397	\$5,640,298	\$975,099

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Rebuild Lake Township fund by \$382,909 for the year ended December 31, 2010.

4. Property Tax

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

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

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

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

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Fire Truck Loan	\$234,746	5%
Building Loan	489,324	4%
Total	\$724,070	

The Township issued a commercial loan to finance the purchase of a new fire truck. The new fire truck collateralized the loan.

The building loan was used to finance the upgrades and uninsured (landscape, blacktop, etc.) cost from the June 5, 2010 tornado that destroyed the administration building.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	Fire Truck Loan	Building Loan
2012	\$47,170	\$44,810
2013	47,170	44,810
2014	47,170	44,810
2015	47,170	44,810
2016	47,169	44,810
2017-2018	35,377	371,379
Total	<u>\$271,226</u>	<u>\$595,429</u>

6. Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, police officers contributed 11.1% and 11.61% of their wages respectively. For 2011 and 2010, the Township contributed an amount equal to 17.87% and 18.10% of their wages respectively. For 2011 and 2010, the remaining OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

7. Risk Management

Risk Pool Membership

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**LAKE TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

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 financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.



Dave Yost • Auditor of State

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 Lake Township, Wood County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 28, 2012 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 and the Township implemented Government Accounting Standards Board Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". We also noted 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(A) mandates the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-002 described in the accompanying schedule of findings to be a material weakness.

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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 28, 2012.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 28, 2012

**LAKE TOWNSHIP
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Noncompliance Citation

Ohio Revised Code, § 5705.41(B), provides that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. In 2010 the Rebuild Township Fund's expenditures exceeded appropriations by \$382,909.

We recommend the Fiscal Officer and Trustees review and amend appropriations whenever necessary to help reduce the possibility of expenditures exceeding appropriations, provided sufficient resources are available.

Officials' Response:

The Township received Insurance claim money as the rebuild of the administration building project progressed. The revenue and subsequent appropriations were recorded when received over the two year period of the project.

FINDING NUMBER 2011-002

Material Weakness

Financial Reporting

We encountered the following transactions that required reclassification adjustments and the accompanying financial statements reflect these amounts:

- In 2010 and 2011 in the special revenue funds personal property reimbursement money was incorrectly posted as tax receipts and should have been intergovernmental receipts; the amounts were \$285,021 and \$240,418 respectively;
- In 2010 and 2011 in the general fund personal property reimbursement money was incorrectly posted as tax receipts and grant money incorrectly posted as miscellaneous receipts; they should have been intergovernmental receipts; the amounts were \$36,778 and \$38,521 respectively;
- In 2010 and 2011 in the capital project fund insurance money was receipted as Miscellaneous and Extraordinary Item and should have been Other Financing receipts; the amounts were \$1,731,380 and \$1,020,250 respectively;
- In 2010 a state grant was incorrectly posted as Extraordinary Item in the general and special revenue funds, and should have been intergovernmental receipts; the amounts were \$20,288 and \$79,764 respectively;
- In 2010 and 2011 in the special revenue funds cemetery fees for burials, footers, and lot transfers were incorrectly posted as Charges for Services, and should have been License, Permits and Fees, and Miscellaneous receipts; the amounts were \$109,250 and \$101,110 respectively;
- In 2010 and 2011 in the capital project funds Capital Outlay expenditures were incorrectly posted as Other Expenses; the amounts were \$304,438 and \$493,189 respectively;

**FINDING NUMBER 2011-002
(Continued)**

- In 2010 in the capital project fund the new building contract was not encumbered which resulted in \$1,132,128 of outstanding encumbrances not being presented on the financial statements and budgetary notes.

The accompanying financial statements have been adjusted to correct these errors.

Accurate financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board to identify and correct errors and omissions.

Officials' Response:

The Township chose to identify the insurance claims revenue and expenses as "extraordinary" items which seemed appropriate due to the unforeseen circumstances in the Township due to the June 5, 2010 tornado.

LAKE TOWNSHIP
WOOD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code § 5705.39, appropriations exceeding estimated resources.	Yes	

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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
SEPTEMBER 18, 2012