



**Mary Taylor, CPA**  
Auditor of State



**LAKE TOWNSHIP  
ASHLAND COUNTY**

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**Mary Taylor, CPA**  
Auditor of State

Lake Township  
Ashland County  
2499 CR 175  
Loudonville, Ohio 44842

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 Township 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 "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 9, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lake Township  
Ashland County  
2499 CR 175  
Loudonville, Ohio 44842

To the Board of Trustees:

We have audited the accompanying financial statements of Lake Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006. 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. For 2007, the Township processed 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 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.

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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, 2007 and 2006 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, 2007 and 2006, 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 of Lake Township, Ashland County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

May 9, 2008



**LAKE TOWNSHIP  
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$9,697	\$47,531	\$57,228
Licenses, Permits, and Fees	790		790
Intergovernmental	26,805	109,469	136,274
Earnings on Investments	242	231	473
Miscellaneous	4,415	10,811	15,226
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	41,949	168,042	209,991
<b>Cash Disbursements:</b>			
Current:			
General Government	28,340	9,978	38,318
Public Safety		9,525	9,525
Public Works		101,463	101,463
Health	2,524		2,524
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	30,864	120,966	151,830
Total Cash Receipts Over Cash Disbursements	11,085	47,076	58,161
Fund Cash Balances (Deficit), January 1	<hr/> (10,672)	<hr/> 68,031	<hr/> 57,359
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$413</b> <hr/>	<hr/> <b>\$115,107</b> <hr/>	<hr/> <b>\$115,520</b> <hr/>

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

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$10,202	\$50,002	\$60,204
Licenses, Permits, and Fees	1,060		1,060
Intergovernmental	26,772	97,365	124,137
Earnings on Investments	109	204	313
Miscellaneous	48		48
	<hr/>		<hr/>
Total Cash Receipts	38,191	147,571	185,762
<hr/>			
<b>Cash Disbursements:</b>			
Current:			
General Government	35,128		35,128
Public Safety		5,892	5,892
Public Works		121,688	121,688
Health	3,274		3,274
Capital Outlay	84	15,061	15,145
	<hr/>		<hr/>
Total Cash Disbursements	38,486	142,641	181,127
	<hr/>		<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(295)	4,930	4,635
	<hr/>		<hr/>
Fund Cash Balances (Deficits), January 1	(10,377)	63,101	52,724
	<hr/>		<hr/>
<b>Fund Cash Balances (Deficits), December 31</b>	<b><u>(\$10,672)</u></b>	<b><u>\$68,031</u></b>	<b><u>\$57,359</u></b>

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

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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, Ashland 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 the West Holmes Fire District, Village of Loudonville and Village of Jeromesville to provide fire services and emergency medical services.

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. Cash**

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 records certificates of deposit at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is 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:

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. 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.

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	2007	2006
Demand deposits	\$115,270	\$57,109
Certificates of deposit	250	250
Total deposits	\$115,520	\$57,359

**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 ended December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,236	\$41,949	(\$5,287)
Special Revenue	158,858	168,042	9,184
Total	\$206,094	\$209,991	\$3,897

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,963	\$30,864	\$13,099
Special Revenue	178,623	120,966	57,657
Total	\$222,586	\$151,830	\$70,756

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,782	\$38,191	\$1,409
Special Revenue	134,600	147,571	12,971
Total	\$171,382	\$185,762	\$14,380

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,117	\$38,486	\$1,631
Special Revenue	135,635	142,641	(7,006)
Total	\$175,752	\$181,127	(\$5,375)

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Rev. Code Section 5705.41(D), the Township made expenditures prior to certification by the Township Fiscal Officer.

Contrary to Ohio Rev. Code Section 5705.10, at December 31, 2006, the General Fund had a cash deficit balance of \$10,672.

Contrary to Ohio Rev. Code Section 5705.39, the Township had appropriations which exceeded estimated resources at December 31, 2006 in the Road and Bridge and Cemetery funds.

Contrary to Ohio Rev. Code Section 5705.41(B), actual expenditures exceeded appropriation authority in the Gasoline Tax Fund and the Permissive Motor Vehicle License Fund for the year ended December 31, 2006.

**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.

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

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

**5. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 percent and 9 percent, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 percent and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007 for contributing employees.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



# Mary Taylor, CPA

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  
Ashland County  
2499 CR 175  
Loudonville, Ohio 44842

To the Board of Trustees:

We have audited the financial statements of Lake Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 9, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted for 2007 the Township used 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated May 9, 2008.

#### **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 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 2007-001 through 2007-006.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 9, 2008.

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 and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

May 9, 2008



**LAKE TOWNSHIP  
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Material Weakness/Noncompliance Citation**

**Ohio Rev. Code Section 117.38** requires each public office, other than a state agency, to file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

The Township filed its 2007 and 2006 reports as required. However, these reports were deficient because they did not fully reconcile to the detail account ledgers and certain information was incomplete or inaccurate. Our testing revealed the Township recorded several transactions incorrectly. Improper postings identified included, but were not limited to the following:

- In 2007 and 2006, \$5,530 and \$5,701, respectively, of homestead and rollback, property tax replacements, and trailer tax receipts were credited only to the General Fund rather than being allocated among the General Fund, Road and Bridge Fund and Fire Levy Fund based on the tax levies. These improper postings resulted in the Road and Bridge Fund and Fire Levy Fund revenue and fund balances being understated \$4,463 and \$1,067, respectively, in 2007 and \$4,605 and \$1,096, respectively, in 2006. These amounts were adjusted to the financial statements.
- In 2007, \$3,134 of motor vehicle license tax receipts were incorrectly posted to the Permissive Motor Vehicle License Fund rather than the Motor Vehicle License Tax Fund. This amount was adjusted to the financial statements.
- In 2007, \$973 of intergovernmental receipts were posted as tax receipts and \$444 of miscellaneous receipts were posted as intergovernmental receipts. These amounts were adjusted to the financial statements.
- In 2007, a \$27 intergovernmental receipt was deposited to the Township's bank account but was not recorded on the Township's books. This amount was adjusted to the financial statements.
- In 2006, \$620 of tax receipts were posted as intergovernmental receipts and \$3,397 of intergovernmental receipts were posted as tax receipts. These amounts were adjusted to the financial statements.
- In 2007 and 2006, a \$250 certificate of deposit was omitted from the Township's cash balances and the Cemetery Fund's fund balance. These amounts were adjusted to the financial statements.

The Township should exercise due care when posting transactions to help ensure receipts are posted to the correct fund and account. In addition, the Trustees should review cash reconciliations, budget-to-actual reports and receipt and expenditure activity reports monthly to help ensure transactions are properly recorded. These procedures will help more accurately reflect the Township's financial activity and should aid in more accurate financial reporting.

### FINDING NUMBER 2007-001 (Continued)

#### Material Weakness/Noncompliance Citation (Continued)

**Officials' Response:** Data is correct but there is also a contributing factor by the Auditor of State and Ohio OBM office. The Township has tried since May 2007 to get the State of Ohio to deposit funds into the correct bank account of the Township.

### FINDING NUMBER 2007-002

#### Significant Deficiency/Noncompliance Citation

**Ohio Rev. Code Section 149.351** requires all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Rev. Code Sections 149.38 through 149.42. **Ohio Rev. Code Section 121.22(C)** requires minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

Our testing revealed 7 checks issued in 2006 totaling \$7,793 for which the Township was unable to locate original invoices or other supporting documentation. We performed alternative procedures to help ensure these expenditures were for proper public purposes. Additionally, the Township was unable to locate the 2006 \$40,904 road oil contract, the supporting documentation for this contract, nor the minutes approving this contract. We also noted ten Board of Trustee meeting minutes were not available for 2006; and the Board of Trustee minutes did not always properly reflect all budgetary approvals, transfers and debt issue approvals.

The Township should ensure policies and procedures are followed to ensure all public records are properly maintained. Record disposals should only be made in accordance with an approved records retention schedule. Additionally, the Board of Trustee minutes should clearly document the approval of all budgets, transfers, debt issuances and other significant transactions.

**Officials' Response:** This was cleared in 2007 and a records policy is in place for the Township. We are looking at improving it.

### FINDING NUMBER 2007-003

#### Noncompliance Citation

**Ohio Rev. Code Section 5705.41(D)** provides no subdivision or taxing unit 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 stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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.

**FINDING NUMBER 2007-003 (Continued)**

**Noncompliance Citation (Continued)**

1. **“Then and Now” Certificate** – If the fiscal officer can certify both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), 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 Board of Trustees can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees 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 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.

46.5% of the expenditures tested were not certified by the fiscal officer prior to the purchase commitment being made. It was also found none of the exceptions above were utilized for the items found to be in noncompliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve control over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, the fiscal officer should certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

The Township should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Township should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials’ Response:** 2006 was a problem but vast majority of all purchases were prior encumbered in 2007.

**FINDING NUMBER 2007-004**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.10** requires monies paid into any fund be used only for the purposes for which such fund is established.

The Township had a negative cash fund balance of \$10,672 in the General Fund at December 31, 2006.

Negative cash fund balances are an indication revenues from other sources were used to pay General Fund obligations. Fund activity should be monitored to prevent future expenditures in excess of available resources. In addition, money should not be used from one fund to pay obligations of another fund.

**Officials' Response:** Accept

**FINDING NUMBER 2007-005**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.36** allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. **Ohio Rev. Code Section 5705.39** requires total appropriations from each fund are not to exceed total estimated fund resources from each fund. This section also requires the Township to obtain a County Auditor's certificate showing total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2006, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue Funds:			
Road and Bridge Fund	\$36,889	\$65,032	(\$28,143)
Cemetery Fund	(5,760)	700	(6,460)

The Township did not obtain an Amended Certificate of Estimated Resources for the Road and Bridge Fund and Cemetery Fund in 2006 resulting in over-appropriated funds in excess of estimated resources in those funds. Additionally, the Permissive Motor Vehicle License Fund was not included on the Certificate of Estimated Resources in 2006. In addition to not amending the Certificate of Estimated Resources, the Township did not always obtain the certificates from the County Auditor showing appropriations from each fund do not exceed the total Amended Official Estimate of Resources for certain appropriation and estimated resource amendments. The Board of Trustees should monitor appropriations versus estimated resources to help avoid overspending.

**Officials' Response:** No response was provided.

**FINDING NUMBER 2007-006**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(B)** requires no subdivision or taxing unit is to expend money unless it has been appropriated.

Township expenditures exceeded appropriations within the following funds at December 31, 2006:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Special Revenue Funds:			
Gasoline Tax Fund	\$37,490	\$83,225	(\$45,735)
Permissive Motor Vehicle License Fund	0	1,393	(1,393)

The Township should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund and object level to help avoid overspending. In addition, the Township Fiscal Officer should periodically review the Township's appropriations reports to ensure appropriation amounts are posted accurately and timely.

**Officials' Response:** Cleared in 2007.

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 505.24, a finding for recovery was issued against the Township Trustees for overpayment of 2005 salaries.	Fully Corrected	Finding No Longer Valid.
2005-002	Ohio Rev. Code Section 118.021 provides a township may undergo a fiscal watch review to determine whether it is approaching a state of fiscal emergency.	Fully Corrected	Finding No Longer Valid.
2005-003	Ohio Rev. Code Section 5705.10, the Township had negative fund cash balances in the General Fund and Gasoline Tax Fund.	Partially Corrected	Repeated similar citation as finding number 2007-004.
2005-004	Ohio Rev. Code Section 149.351, the Township had missing invoices and other supporting documentation.	Partially Corrected	Repeated similar citation as finding number 2007-002.
2005-005	Ohio Rev. Code Section 505.24, there was no resolution in place to indicate the Trustees' should be paid from any fund other than the General Fund.	Partially Corrected	Repeated similar citation in the management letter.
2005-006	Ohio Rev. Code Section 5705.38, the Township did not adopt a permanent appropriation measure for 2005.	Fully Corrected	Finding No Longer Valid.

2005-007	Ohio Rev. Code Section 5705.39, the Township had appropriations in excess of estimated resources in the General Fund and Gasoline Tax Fund.	Partially Corrected	Repeated similar citation as finding number 2007-005.
2005-008	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations at the fund level.	Partially Corrected	Repeated similar citation as finding number 2007-006.
2005-009	Ohio Rev. Code Section 5705.36, the Township over-expended funds in excess of estimated resources in the General and Gasoline Tax Fund.	Partially Corrected	Repeated similar citation as finding number 2007-005.
2005-010	Ohio Rev. Code Section 5705.41(D), no expenditures were certified by the Fiscal Officer prior to incurring the obligation.	Not Corrected	Repeated similar citation as finding number 2007-003.
2005-011	Ohio Rev. Code Section 145.03, not all required public employees were members of OPERS.	Fully Corrected	Finding No Longer Valid.
2005-012	Ohio Rev. Code Section 145.51, required contributions were not remitted promptly to OPERS.	Fully Corrected	Finding No Longer Valid.
2005-013	26 U.S.C. Section 3401 through 3406, employee and employer contributions to the IRS were not remitted promptly.	Fully Corrected	Finding No Longer Valid.
2005-014	Ohio Rev. Code Section 5747.06, not all employees had State and Local income taxes withheld and the income taxes were not remitted to the State Department of Taxation.	Fully Corrected	Finding No Longer Valid.

2005-015	Ohio Rev. Code Section 507.04, Ohio Admin Code Section 117-2-02(A), the Township did not properly maintain the required accounting records.	Fully Corrected	Finding No Longer Valid.
2005-016	Unpaid Obligations - The Township had past due obligations for OPERS, audit fees, UAN fees and payroll withholdings of a minimum of \$22,169.	Fully Corrected	Finding No Longer Valid.
2005-017	Late Fees and Penalties - The Fiscal Officer did not timely remit payment for all of the Township expenditures which resulted in late fees, penalties, and interest.	Fully Corrected	Finding No Longer Valid.
2005-018	Bank Reconciliations - Reconciliations were not performed timely nor were they reviewed by anyone.	Fully Corrected	Finding No Longer Valid.
2005-019	Trustee Monitoring of Financial Reports - The Fiscal Officer did not prepare monthly financial reports for the Trustees to review and approve.	Partially Corrected	Repeated similar recommendation as finding number 2007-001.
2005-020	Non-Payroll Disbursements - Numerous errors noted regarding disbursements	Fully Corrected	Finding No Longer Valid.
2005-021	Old Bank Account - The Township has an open bank account for which all unused checks are not accounted for.	Partially Corrected	Repeated as verbal comment.





**Mary Taylor, CPA**  
Auditor of State

**LAKE TOWNSHIP**

**ASHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 29, 2008**