



**LUDLOW TOWNSHIP
WASHINGTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LUDLOW TOWNSHIP
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

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REPORT OF INDEPENDENT ACCOUNTANTS

Ludlow Township
Washington County
68 CR 406
Rinard Mills, Ohio 45774

To the Board of Trustees:

We have audited the accompanying financial statements of Ludlow Township, Washington County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Ludlow Township, Washington County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2000 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 grants.

This report is intended solely for the information and use of the management, Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 11, 2000

**LUDLOW TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Taxes	\$6,786	\$40,878			\$47,664
Intergovernmental Receipts	35,462	61,850	\$9,600		106,912
Interest	2,553	912			3,465
Total Cash Receipts	<u>44,801</u>	<u>103,640</u>	<u>9,600</u>		<u>158,041</u>
Cash Disbursements:					
Current:					
General Government	33,702				33,702
Public Safety	3,682				3,682
Public Works		120,357			120,357
Health	3,403				3,403
Capital Outlay	975				975
Debt Service:					
Principal Payments			7,939		7,939
Interest Payments			858		858
Total Cash Disbursements	<u>41,762</u>	<u>120,357</u>	<u>8,797</u>		<u>170,916</u>
Total Receipts Over/(Under) Disbursements	<u>3,039</u>	<u>(16,717)</u>	<u>803</u>		<u>(12,875)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In				10,000	10,000
Transfers-Out	(10,000)				(10,000)
Other Financing Sources		312			312
Total Other Financing Receipts/(Disbursements)	<u>(10,000)</u>	<u>312</u>		<u>10,000</u>	<u>312</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(6,961)</u>	<u>(16,405)</u>	<u>803</u>	<u>10,000</u>	<u>(12,563)</u>
Fund Cash Balances, January 1	<u>51,040</u>	<u>101,661</u>	<u>5,994</u>	<u>0</u>	<u>158,695</u>
Fund Cash Balances, December 31	<u>\$44,079</u>	<u>\$85,256</u>	<u>\$6,797</u>	<u>\$10,000</u>	<u>\$146,132</u>

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

**LUDLOW TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Taxes	\$6,518	\$27,995		\$34,513
Intergovernmental Receipts	45,706	124,042	\$9,600	179,348
Interest	2,084	968		3,052
Other Revenue	4,663			4,663
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	58,971	153,005	9,600	221,576
Cash Disbursements:				
Current:				
General Government	30,167			30,167
Public Safety	1,500			1,500
Public Works	87	85,795		85,882
Health	1,169			1,169
Capital Outlay	500	1,000		1,500
Debt Service:				
Principal Payments			7,939	7,939
Interest Payments			1,538	1,538
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	33,423	86,795	9,477	129,695
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	25,548	66,210	123	91,881
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	25,492	35,451	5,871	66,814
Fund Cash Balances, December 31	<hr/> \$51,040 <hr/>	<hr/> \$101,661 <hr/>	<hr/> \$5,994 <hr/>	<hr/> \$158,695 <hr/>

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

**LUDLOW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Ludlow Township, Washington County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including maintenance of roads and fire protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

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

**LUDLOW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(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.

Federal Emergency Management Agency (FEMA) Fund - This fund receives money from the Federal Emergency Management Agency to provide flood damage relief to the Township.

Permissive Sales Tax Fund - This fund receives sales tax money for general operation expenses of the Township.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of note indebtedness. The Township had the following Debt Service Fund:

General Note Retirement Fund - This fund received tax monies to retire debt for road equipment.

4. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Fund:

Capital Equipment Fund - This fund received a transfer from the General Fund for the future purchase of equipment.

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 fund, function, or 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. Appropriations lapse at year end.

2. Estimated Resources

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

**LUDLOW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 146,132	\$ 158,695

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 51,874	\$ 44,801	\$ (7,073)
Special Revenue	122,866	103,952	(18,914)
Debt Service	9,600	9,600	0
Capital Project	10,000	10,000	0
Total	\$ 194,340	\$ 168,353	\$ (25,987)

LUDLOW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 63,300	\$ 51,762	\$ 11,538
Special Revenue	143,156	120,357	22,799
Debt Service	8,971	8,797	174
Capital Project	10,000	0	10,000
Total	<u>\$ 225,427</u>	<u>\$ 180,916</u>	<u>\$ 44,511</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 55,261	\$ 58,971	\$ 3,710
Special Revenue	162,077	153,005	(9,072)
Debt Service	9,600	9,600	0
Total	<u>\$ 226,938</u>	<u>\$ 221,576</u>	<u>\$ (5,362)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 40,000	\$ 33,423	\$ 6,577
Special Revenue	115,282	86,795	28,487
Debt Service	9,487	9,477	10
Total	<u>\$ 164,769</u>	<u>\$ 129,695</u>	<u>\$ 35,074</u>

In 1999 and 1998, the Township had disbursements exceeding appropriations of \$21,312 and \$9,218 respectively, in the Federal Emergency Management Agency Fund. This was in violation of Ohio Rev. Code Section 5705.41(B), which prohibits the expenditure of funds unless they have been properly appropriated.

4. PROPERTY TAX

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

**LUDLOW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX (Continued)

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, 1999 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$7,939	6.50%
Total	\$7,939	

The general obligation note was issued to finance the purchase of a new truck to be used for Township road maintenance. The note is collateralized by the truck.

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

Year ending December 31:	General Obligation Notes
2000	\$8,455
Total	\$8,455

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

LUDLOW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA). The OTARMA assumes the risk of loss up to the limits of the Township's policy. The OTARMA may assess supplemental premiums. The following risks are covered by the OTARMA:

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

The Township has secured public official's bonds through a private carrier.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Ludlow Township
Washington County
68 CR 406
Rinard Mills, Ohio 45774

To the Board of Trustees:

We have audited the accompanying financial statements of Ludlow Township, Washington County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-41084-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 11, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-41084-002.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 11, 2000.

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

Jim Petro
Auditor of State

April 11, 2000

**LUDLOW TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41084-001

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

At December 31, 1999, the following fund had expenditures which exceeded appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
FEMA Fund	\$0	\$21,312	(\$21,312)

At December 31, 1998, the following fund had expenditures which exceeded appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
FEMA Fund	\$0	\$9,218	(\$9,218)

We recommend the Township implement procedures to ensure that all expenditures are properly appropriated.

FINDING NUMBER 1999-41084-002

Reportable Condition

The Township did not have a control in place to ensure that appropriations and amended certificates, as authorized by the Board of Trustees, are reconciled to appropriations and estimated resources that were posted to the accounting system. This resulted in incorrect amounts being posted to the accounting system. The accompanying budgetary figures reflected in Note 3 to the Financial Statements have been adjusted to reflect the amounts authorized by the Board of Trustees.

We recommend that procedures be implemented to ensure that appropriations and estimated resources are accurately posted to the appropriation and revenue ledgers.