



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



LUDLOW TOWNSHIP  
WASHINGTON COUNTY

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Ludlow Township  
Washington County  
68 CR 406  
Graysville, Ohio 45734

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, 2001 and 2000. 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 *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, 2001 and 2000, 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 March 25, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

March 25, 2002

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**LUDLOW TOWNSHIP  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$6,997	\$4,340	\$	\$11,337
Intergovernmental	33,067	111,685		144,752
Earnings on Investments	2,978	1,781		4,759
Other Revenue			6,500	6,500
Total Cash Receipts	<u>43,042</u>	<u>117,806</u>	<u>6,500</u>	<u>167,348</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	47,207			47,207
Public Safety	4,350			4,350
Public Works		98,470		98,470
Health				0
Capital Outlay	<u>452</u>	<u>298</u>	<u>5,173</u>	<u>5,923</u>
Total Cash Disbursements	<u>52,009</u>	<u>98,768</u>	<u>5,173</u>	<u>155,950</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(8,967)</u>	<u>19,038</u>	<u>1,327</u>	<u>11,398</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Other Receipts	<u>1,005</u>			<u>1,005</u>
Total Other Financing Receipts/(Disbursements)	<u>1,005</u>	<u>0</u>	<u>0</u>	<u>1,005</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,962)	19,038	1,327	12,403
Fund Cash Balances, January 1	<u>64,935</u>	<u>65,438</u>	<u>15,000</u>	<u>145,373</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$56,973</u></b>	<b><u>\$84,476</u></b>	<b><u>\$16,327</u></b>	<b><u>\$157,776</u></b>

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

**LUDLOW TOWNSHIP  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$6,674	\$4,243	\$	\$	\$10,917
Intergovernmental	46,275	108,489	1,400		156,164
Earnings on Investments	2,068	1,137			3,205
<b>Total Cash Receipts</b>	<u>55,017</u>	<u>113,869</u>	<u>1,400</u>	<u>0</u>	<u>170,286</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	40,945	24,014			64,959
Public Safety	3,625				3,625
Public Works		93,327			93,327
Health	936				936
Debt Service:					
Redemption of Principal			7,939		7,939
Interest and Fiscal Charges			259		259
<b>Total Cash Disbursements</b>	<u>45,506</u>	<u>117,341</u>	<u>8,198</u>	<u>0</u>	<u>171,045</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>9,511</u>	<u>(3,472)</u>	<u>(6,798)</u>	<u>0</u>	<u>(759)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	11,346			5,000	16,346
Transfers-Out		(16,346)			(16,346)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>11,346</u>	<u>(16,346)</u>	<u>0</u>	<u>5,000</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>20,857</u>	<u>(19,818)</u>	<u>(6,798)</u>	<u>5,000</u>	<u>(759)</u>
Fund Cash Balances, January 1	44,078	85,256	6,798	10,000	146,132
<b>Fund Cash Balances, December 31</b>	<u><b>\$64,935</b></u>	<u><b>\$65,438</b></u>	<u><b>\$0</b></u>	<u><b>\$15,000</b></u>	<u><b>\$145,373</b></u>

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



**LUDLOW TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**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 and a publicly elected Clerk. The Township provides general governmental services, including road and bridge maintenance (public works), cemetery maintenance (health), and fire protection (public safety). The Township contracts with the Graysville Volunteer Fire Department and the Little Muskingum Volunteer Fire Department to provide fire and emergency services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**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:

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

Permissive Sales Tax Fund - This fund receives funds from Washington County through the one-half percent sales tax to construct, repair and maintain Township roads and bridges.

**LUDLOW TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

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

General Note Retirement Fund - This fund receives gasoline tax money to pay principal and interest on outstanding note debt.

**4. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following capital project fund:

Ludlow Community Project Fund - This fund received a donation from the Sisters of Saint Joseph. The proceeds were used for major repairs to the Ludlow Community park.

**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 balances 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 canceled, and re-appropriated in the subsequent year.

A summary of 2001 and 2000 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.

**LUDLOW TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$77,306	\$145,373
Certificates of Deposit	80,470	0
	<u>\$157,776</u>	<u>\$145,373</u>
Total		

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution of the Township.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 was as follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,185	\$44,047	\$862
Special Revenue	117,973	117,806	(167)
Capital Projects	23,000	6,500	(16,500)
	<u>\$184,158</u>	<u>\$168,353</u>	<u>(\$15,805)</u>
Total			

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,868	\$52,009	\$44,859
Special Revenue	196,867	98,768	98,099
Capital Projects	23,000	5,173	17,827
	<u>\$316,735</u>	<u>\$155,950</u>	<u>\$160,785</u>
Total			

**LUDLOW TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,538	\$66,363	\$7,825
Special Revenue	95,751	113,869	18,118
Debt Service	1,400	1,400	0
Capital Projects	15,000	5,000	(10,000)
Total	<u>\$170,689</u>	<u>\$186,632</u>	<u>\$15,943</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,531	\$45,506	\$37,025
Special Revenue	159,652	117,341	42,311
Debt Service	8,198	8,198	0
Capital Projects	15,000	0	15,000
Total	<u>\$265,381</u>	<u>\$171,045</u>	<u>\$94,336</u>

**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.

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.

**LUDLOW TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**5. 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. This 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for January 1, 2000 through June 30, 2000 and for 2001. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participants gross salaries. The Township has paid all contributions required through December 31, 2001.

**6. RISK MANAGEMENT**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements and other expenses resulting from covered claims that exceed the member's deductibles.

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsure specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**LUDLOW TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: (the latest information available)

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$22,684,383	\$18,172,222
Liabilities	<u>8,924,977</u>	<u>5,947,013</u>
Retained earnings	<u>\$13,759,406</u>	<u>\$12,225,209</u>
<u>Property Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$4,156,784	\$3,544,437
Liabilities	<u>497,831</u>	<u>674,752</u>
Retained earnings	<u>\$3,658,953</u>	<u>\$2,869,685</u>

The Township also provides health insurance coverage to its employee 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  
Graysville, Ohio 45734

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, 2001 and 2000 and have issued our report thereon dated March 25, 2002. 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 *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 two instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2001-41084-001 and 2001-41084-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 25, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 judgment, 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 2001-41084-003.

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 do not believe the reportable condition described above is a material weakness.

Ludlow Township  
Washington County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

March 25, 2002



**LUDLOW TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-41084-001**

**Noncompliance Citation**

Ohio Rev. Code § 505.24 requires trustee's salaries to be paid from the General Fund or from other township funds in such proportions as the Board specifies by resolution. The resolution should allocate the salaries based on the types of services provided by the trustees. During 2001, the salaries of the trustees were charged to the Motor Vehicle License Tax and Gasoline Tax Funds. A resolution had not been adopted by the Board specifying how trustee salaries would be allocated. However, activities of an administrative nature, such as monthly meetings, should be charged to the General Fund. On February 28, 2002, the Board of Trustees adopted a retroactive resolution authorizing 75% of each Board of Trustee's salary to be charged to the General Fund and 25% to the Gasoline Tax Fund for 2001.

The adjustment for Board of Trustee's salary has been agreed to by management of the Township and the adjustment is reflected in the accompanying financial statements.

**FINDING NUMBER 2001-41084-002**

**Non-compliance Citation**

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

The Township had expenditures which exceeded appropriations in the Federal Emergency Management Agency (FEMA) Fund in 2000. This was due to transfers made in accordance with Auditor of State Bulletin 98-013, except the transfers were not appropriated.

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
FEMA Fund	\$0	\$40,360	(\$40,360)

We recommend the Township appropriate and review the appropriation balances each month and approve appropriation amendments as needed, prior to expending funds in excess of existing appropriations.

**FINDING NUMBER 2001-41084-003**

**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.

As a result, the amounts passed by the legislative authority did not agree to the amounts posted to the financial records.

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

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**LUDLOW TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-41084-001	Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The FEMA fund in 1999 and 1998 had expenditures which exceeded appropriations .	No	Not Corrected; Repeated in GAGAS Report as Finding 41084-2001-002
1999-41084-002	No control was in place to ensure that appropriations and amended certificates as authorized by the Board of Trustees are reconciled to appropriations and estimated receipts and posted to the accounting system.	No	Not Corrected; Repeated in GAGAS Report as Finding 41084-2001-003





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**LUDLOW TOWNSHIP**

**WASHINGTON 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 16, 2002**