



**LODI TOWNSHIP
ATHENS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LODI TOWNSHIP
ATHENS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Lodi Township
Athens County
17680 Mill School Road
Guysville, Ohio 45735

To the Board of Trustees:

We have audited the accompanying financial statements of Lodi Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on this 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 presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Lodi Township, Athens County, as of December 31, 2000 and 1999, 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 4, 2001, 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 the 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.

Jim Petro
Auditor of State

April 4, 2001

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**LODI TOWNSHIP
ATHENS 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> | | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Local Taxes | \$ 17,730 | \$ 44,879 | \$ 15,022 | \$ 13,630 | \$ 91,261 |
| Intergovernmental | 26,530 | 91,067 | | 2,922 | 120,519 |
| Interest | 1,996 | 676 | | | 2,672 |
| Other Revenue | 710 | 2,525 | | | 3,235 |
| Total Cash Receipts | <u>46,966</u> | <u>139,147</u> | <u>15,022</u> | <u>16,552</u> | <u>217,687</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 40,694 | 2,282 | | | 42,976 |
| Public Safety | | 6,206 | | | 6,206 |
| Public Works | | 132,596 | | | 132,596 |
| Health | 1,330 | 8,449 | | | 9,779 |
| Redemption of Principal | | | 17,355 | | 17,355 |
| Interest and Fiscal Charges | | | 3,167 | | 3,167 |
| Capital Outlay | | 50,082 | | 8,062 | 58,144 |
| Total Cash Disbursements | <u>42,024</u> | <u>199,615</u> | <u>20,522</u> | <u>8,062</u> | <u>270,223</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>4,942</u> | <u>(60,468)</u> | <u>(5,500)</u> | <u>8,490</u> | <u>(52,536)</u> |
| Other Financing Receipts/(Disbursements): | | | | | |
| Sale of Notes | | 41,990 | | | 41,990 |
| Sale of Fixed Assets | | 15,449 | | | 15,449 |
| Total Other Financing Receipts/(Disbursements) | <u>0</u> | <u>57,439</u> | <u>0</u> | <u>0</u> | <u>57,439</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 4,942 | (3,029) | (5,500) | 8,490 | 4,903 |
| Fund Cash Balances, January 1 | <u>3,548</u> | <u>85,855</u> | <u>5,500</u> | <u>4,713</u> | <u>99,616</u> |
| Fund Cash Balances, December 31 | <u>\$ 8,490</u> | <u>\$ 82,826</u> | <u>\$ 0</u> | <u>\$ 13,203</u> | <u>\$ 104,519</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 173</u> | <u>\$ 133</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 306</u> |

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

**LODI TOWNSHIP
ATHENS COUNTY**

**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: | | | | | |
| Local Taxes | \$ 16,249 | \$ 42,991 | \$ 20,530 | \$ 3,667 | \$ 83,437 |
| Intergovernmental | 18,513 | 83,065 | | 1,948 | 103,526 |
| Interest | 2,128 | 605 | | | 2,733 |
| Other Revenue | 274 | 75 | | | 349 |
| | <u>37,164</u> | <u>126,736</u> | <u>20,530</u> | <u>5,615</u> | <u>190,045</u> |
| Total Cash Receipts | | | | | |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 44,018 | | | | 44,018 |
| Public Safety | | 6,204 | | | 6,204 |
| Public Works | | 105,645 | | | 105,645 |
| Health | 1,325 | 8,918 | | | 10,243 |
| Redemption of Principal | | | 16,511 | | 16,511 |
| Interest and Fiscal Charges | | | 4,019 | | 4,019 |
| Capital Outlay | 536 | 8,508 | | 4,518 | 13,562 |
| | <u>45,879</u> | <u>129,275</u> | <u>20,530</u> | <u>4,518</u> | <u>200,202</u> |
| Total Cash Disbursements | | | | | |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>(8,715)</u> | <u>(2,539)</u> | <u>0</u> | <u>1,097</u> | <u>(10,157)</u> |
| Other Financing Receipts/(Disbursements): | | | | | |
| Other Non-operating Sources | | 7,327 | | | 7,327 |
| Other Non-operating Uses | | (7,327) | | | (7,327) |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Other Financing Receipts/(Disbursements) | | | | | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (8,715) | (2,539) | 0 | 1,097 | (10,157) |
| Fund Cash Balances, January 1 | <u>12,262</u> | <u>88,393</u> | <u>5,500</u> | <u>3,617</u> | <u>109,772</u> |
| Fund Cash Balances, December 31 | <u>\$ 3,547</u> | <u>\$ 85,854</u> | <u>\$ 5,500</u> | <u>\$ 4,714</u> | <u>\$ 99,615</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

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

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Lodi Township, Athens 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 Township Clerk. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, 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. 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. 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.

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

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road District Fund - This fund receives property tax money to maintain Township roads.

Cemetery Fund - This fund receives property tax money to maintain Township cemeteries.

Fire District Fund - This fund receives property tax money to provide fire protection to the Township.

Permissive Motor Vehicle License Fund - This fund receives permissive motor vehicle license tax money to construct, maintain, and repair Township roads.

Federal Emergency Management Agency Fund - This fund receives money from the Federal Emergency Management Agency and the Ohio Emergency Management Agency to provide flood relief to the Township.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund in 2000 and 1999:

General Bond (Note) Retirement- This fund receives property tax money to retire note debt of the Township.

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 significant capital project funds:

Permanent Improvement Fund - This fund receives property tax and intergovernmental money for the construction or renovation of Township property.

D. 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 and function 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.

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process(Continued)

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.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

E. 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.

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave is not reflected as a liability under the cash basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments 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>2000</u> | <u>1999</u> |
|-----------------|--------------------|--------------------|
| Demand Deposits | <u>\$ 104,519</u> | <u>\$ 99,615</u> |

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

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2000 and 1999, follows:

| 2000 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 51,165 | \$ 46,966 | \$ (4,199) |
| Special Revenue | 161,973 | 196,586 | 34,613 |
| Debt Service | 15,030 | 15,022 | (8) |
| Capital Projects | 17,378 | 16,552 | (826) |
| Total | \$ 245,546 | \$ 275,126 | 29,580 |

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 54,713 | \$ 42,197 | \$ 12,516 |
| Special Revenue | 235,730 | 199,748 | 35,982 |
| Debt Service | 20,530 | 20,522 | 8 |
| Capital Projects | 11,798 | 8,062 | (3,736) |
| Total | \$ 322,771 | \$ 270,529 | (52,242) |

| 1999 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 37,257 | \$ 37,164 | \$ (93) |
| Special Revenue | 143,703 | 134,063 | (9,640) |
| Debt Service | 20,530 | 20,530 | 0 |
| Capital Projects | 4,485 | 5,615 | 1,130 |
| Total | \$ 205,975 | \$ 197,372 | (8,603) |

| 1999 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 49,507 | \$ 45,879 | \$ 3,628 |
| Special Revenue | 224,284 | 136,602 | 87,682 |
| Debt Service | 20,530 | 20,530 | 0 |
| Capital Projects | 7,347 | 4,518 | (2,829) |
| Total | \$ 301,668 | \$ 207,529 | (94,139) |

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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 in 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, 2000 was as follows:

| | Principal | Interest Rate |
|---------------------------|-----------|------------------|
| Promissory Note - Grader | \$45,913 | 4.90% |
| Promissory Note - Tractor | 41,990 | 4.75% |
| Total | \$87,903 | |

The Grader note was for the purchase of a grader. The original note amount was for \$61,347 for 10 years, with an annual payment of \$7,906. The lender maintains a security interest in the Township's taxing authority.

The Tractor note was for the purchase of a tractor. The original note amount was for \$41,990 for 5 years, with an annual payment of \$9631. The lender maintains a security interest in the Township's taxing authority.

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

| Year ending December 31: | Promissory Note Grader | Promissory Note Tractor |
|-----------------------------|---------------------------|----------------------------|
| 2001 | \$7,906 | \$9,631 |
| 2002 | 7,906 | 9,631 |
| 2003 | 7,906 | 9,631 |
| 2004 | 7,906 | 9,631 |
| 2005 | 7,906 | 9,631 |
| 2006 | 7,906 | |
| 2007 | 7,906 | |
| Total | \$55,342 | \$48,155 |

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RETIREMENT SYSTEM

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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. 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, 2000.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and Omissions
- Medical Insurance

8. PRIOR PERIOD ADJUSTMENT

The Township restated its December 31, 1998 fund balances to reclassify a debt payment from the Debt Service Fund to the Capital Projects Fund. Based on Auditor of State Bulletin 98-004 and Ohio Rev. Code Section 5705.10, the Township is allowed to make the debt payments from the Capital Projects fund. The January 1, 1999 beginning fund balances have been adjusted, as follows,

| <u>Fund Type</u> | <u>Audited Balance 12/31/98</u> | <u>Restated Balance 01/01/99</u> |
|------------------|---|--|
| Debt Service | \$ 376 | \$ 5,500 |
| Capital Projects | \$ 8,741 | \$ 3,617 |



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Lodi Township
Athens County
17680 Mill School Road
Guysville, Ohio 45735

To the Board of Trustees:

We have audited the accompanying financial statement of Lodi Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 4, 2001. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-40705-001 through 2000-40705-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 4, 2001.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-40705-001 through 2000-40705-005.

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. We believe reportable conditions 2000-40705-001 through 2000-40705-005 described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Township in a separate letter dated April 4, 2001.

This report is intended for the information and use of the 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 4, 2001

**LODI TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-40705-001

Noncompliance Citation

Ohio Rev. Code Section 5705.36 states that all subdivisions are allowed 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. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

Estimated receipts exceeded actual receipts in 1999 in the Motor Vehicle License Tax (11%), Gasoline Tax (16%), and Permissive Motor Vehicle License Funds (75%), and in 2000 in the General (10%), Motor Vehicle License Tax (18%), and Permissive Motor Vehicle License Funds (83%). This deficiency reduced the available resources below the Townships appropriation measure. The lack of reducing the amended certificate and corresponding appropriations could result in spending more than what is actually available.

We recommend the Township obtain amended certificates of estimated resources when it becomes apparent the Township is going to receive less than what was estimated. We also recommend the Township officials monitor the effect of the reduction in relation to their appropriations and make amendments as needed.

FINDING NUMBER 2000-40705-002

Noncompliance Citation

Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation item to another. Subject to certain limitations, the annual appropriation measure may contain an appropriation for contingencies.

We found that in both 1999 and 2000 there were supplemental appropriations made that were not approved in the Board of Trustees' minutes record. There were also amendments made to the appropriations, however, there was not an amended appropriation measure passed. This resulted in expenditures, plus encumbrances, exceeding appropriations. Note 3 to the financial statements has been adjusted to reflect the Board of Trustees approved appropriation amounts.

We recommend the Township approve all supplemental and amended appropriations in the same manner as their original appropriations resolution. We also recommend the Township reflect the Board of Trustees' approval in the minutes record.

**LODI TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2000-40705-003

Noncompliance Citation

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

Expenditures exceeded appropriations in 1999 at the legal level of control (function) as follows:

| Fund | Line Item | Appropriation | Expenditure | Variance |
|------|-------------------|---------------|-------------|---------------|
| FEMA | 2901-110-599-0000 | \$ 0.00 | \$ 7,327.00 | \$ (7,327.00) |

Expenditures exceeded appropriations in 1999 at the legal level of control (function) as follows:

| Fund | Line Item | Appropriation | Expenditure | Variance |
|----------------|-------------------|---------------|--------------|---------------|
| Road & Bridge | 2031-330-599-0000 | \$ 2,387.29 | \$ 7,500.00 | \$ (5,112.71) |
| Road & Bridge | 2031-760-730-0000 | \$ 0.00 | \$ 7,000.00 | \$ (7,000.00) |
| Road & Bridge | 2031-760-740-0000 | \$ 0.00 | \$ 41,990.00 | \$(41,990.00) |
| Perm. Improve. | 4301-760-740-0000 | \$ 0.00 | \$ 4,718.13 | \$ (4,718.13) |

We recommend the Township Clerk deny payments when disbursements would exceed appropriations at the legal level of control. The Township Clerk should inquire whether the Board of Trustees wish to permit the payments by amending appropriations. The Board of Trustees can increase total appropriations only to the extent of estimated resources. Such amendments or supplemental appropriations should be handled in the same manner as the original appropriations measure and the Board of Trustees' approval should be documented in the minutes record.

FINDING NUMBER 2000-40705-004

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) states that no subdivision or taxing authority shall make any contract or order an expenditure of money unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriated fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**LODI TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2000-40705-004 (Continued)

Noncompliance Citation (Continued)

Ohio Revised Code Section 5705.41(D) (Continued)

Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority. [Section 5705.41(D)].

Of the transactions tested, 38% of the expenditures had invoice dates preceding the certification dates included upon the Townships purchase orders. This could lead to obligations being entered into when there is not sufficient funds available to cover the transaction.

We recommend the Township Clerk certify the availability of funds prior to ordering goods or services.

FINDING NUMBER 2000-40705-005

Reportable Condition

The Township did not have control procedures in place to ensure that the information in the Uniform Accounting Network (UAN) system was accurately posted and that all supporting records for the recorded transactions were kept on file.

This resulted in the following:

- ▶ For 1999, non-payroll expenditures, there were 6 checks missing, 19 invoices missing, 27 instances where the check did not match the system, and one check that was not posted until 2000 which was posted as a different check number. For payroll expenditures, there was one check missing, 12 checks that did not match the system, and there was no supporting documentation for state withholdings provided for audit.
- ▶ For 2000, non-payroll expenditures, there were 4 checks missing, 13 invoices missing, and 3 instances where checks did not match the system. For payroll expenditures, there were 4 checks missing and no supporting documentation for state withholdings or 5 months of federal withholdings.

We recommend the Township establish control procedures to ensure that all check numbers and amounts agree to what is recorded on the UAN system. Also, we recommend the Township ensure that all financial records and supporting documentation be maintained and accessible as per Ohio Rev. Code Section 149.351 which establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code Section 149.38 to 149.42.



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OFFICE OF THE AUDITOR

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LODI TOWNSHIP

ATHENS 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
MAY 10, 2001**