



**Auditor of State
Betty Montgomery**

**LODI TOWNSHIP
ATHENS COUNTY**

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**Auditor of State
Betty Montgomery**

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

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 26, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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 statement referred to above for the year ended December 31, 2004 does 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Lodi Township, Athens County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 August 26, 2005, 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.



Betty Montgomery
Auditor of State

August 26, 2005

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, 2004**

	<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:					
Property and Other Local Taxes	\$ 25,995	\$ 77,142	\$ 17,537	\$ 16,467	\$ 137,141
Intergovernmental	16,777	208,320		1,593	226,690
Earnings on Investments	634	186			820
Miscellaneous	344	23,279			23,623
Total Cash Receipts	<u>43,750</u>	<u>308,927</u>	<u>17,537</u>	<u>18,060</u>	<u>388,274</u>
Cash Disbursements:					
Current:					
General Government	40,976	38,086			79,062
Public Safety		17,781			17,781
Public Works		137,659			137,659
Health	1,791	14,568			16,359
Capital Outlay				5,353	5,353
Debt Service:					
Redemption of Principal			15,297		15,297
Interest and Other Fiscal Charges			2,241		2,241
Total Cash Disbursements	<u>42,767</u>	<u>208,094</u>	<u>17,538</u>	<u>5,353</u>	<u>273,752</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>983</u>	<u>100,833</u>	<u>(1)</u>	<u>12,707</u>	<u>114,522</u>
Other Financing Receipts/(Disbursements):					
Other Financing Uses		(62,116)			(62,116)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>(62,116)</u>	<u>0</u>	<u>0</u>	<u>(62,116)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	983	38,717	(1)	12,707	52,406
Fund Cash Balances, January 1	14,768	109,578	1	3,559	127,906
Fund Cash Balances, December 31	<u>\$ 15,751</u>	<u>\$ 148,295</u>	<u>\$ 0</u>	<u>\$ 16,266</u>	<u>\$ 180,312</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, 2003**

	<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:					
Property and Other Local Taxes	\$ 25,379	\$ 72,446	\$ 17,538	\$ 16,384	\$ 131,747
Intergovernmental	18,278	160,905		2,924	182,107
Earnings on Investments	676	313			989
Miscellaneous	116	19,699		81	19,896
Total Cash Receipts	<u>44,449</u>	<u>253,363</u>	<u>17,538</u>	<u>19,389</u>	<u>334,739</u>
Cash Disbursements:					
Current:					
General Government	35,888	33,979			69,867
Public Safety		18,593			18,593
Public Works		147,596			147,596
Health	1,787	13,900			15,687
Capital Outlay		282		16,276	16,558
Debt Service:					
Redemption of Principal			14,591		14,591
Interest and Other Fiscal Charges			2,946		2,946
Total Cash Disbursements	<u>37,675</u>	<u>214,350</u>	<u>17,537</u>	<u>16,276</u>	<u>285,838</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>6,774</u>	<u>39,013</u>	<u>1</u>	<u>3,113</u>	<u>48,901</u>
Other Financing Receipts/(Disbursements):					
Other Financing Uses				(15,196)	(15,196)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(15,196)</u>	<u>(15,196)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,774	39,013	1	(12,083)	33,705
Fund Cash Balances, January 1	7,994	70,565	0	15,642	94,201
Fund Cash Balances, December 31	<u>\$ 14,768</u>	<u>\$ 109,578</u>	<u>\$ 1</u>	<u>\$ 3,559</u>	<u>\$ 127,906</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, 2004 AND 2003**

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 Lodi Township, Athens County (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 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 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 and Investments

The Township Clerk invests all available funds of the Township in an interest-bearing checking account and certificates of deposit. The Township values certificates of deposit 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 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 for trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

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

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

FEMA Fund – This fund receives money from the Federal Emergency Management Agency to repair infrastructure damaged by storms in the Township.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following Debt Service Fund:

General Note Retirement Fund – This fund receives property tax money to retire note debt of the Township.

4. Capital Projects Funds

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

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

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 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.

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 reappropriated in the subsequent year.

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

A summary of 2004 and 2003 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.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$ 160,312	\$ 107,906
Certificates of deposit	20,000	20,000
Total deposits	\$ 180,312	\$ 127,906

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 45,000	\$ 43,750	\$ (1,250)
Special Revenue	202,954	308,927	105,973
Debt Service	17,537	17,537	0
Capital Projects	20,000	18,060	(1,940)
Total	\$ 285,491	\$ 388,274	\$ 102,783

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 61,467	\$ 42,767	\$ 18,700
Special Revenue	266,794	270,210	(3,416)
Debt Service	17,538	17,538	0
Capital Projects	23,559	5,353	18,206
Total	\$ 369,358	\$ 335,868	\$ 33,490

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 43,000	\$ 44,449	\$ 1,449
Special Revenue	213,286	253,363	40,077
Debt Service	17,538	17,538	0
Capital Projects	2,358	19,389	17,031
Total	<u>\$ 276,182</u>	<u>\$ 334,739</u>	<u>\$ 58,557</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 50,914	\$ 37,675	\$ 13,239
Special Revenue	206,748	214,350	(7,602)
Debt Service	17,538	17,537	1
Capital Projects	0	31,472	(31,472)
Total	<u>\$ 275,200</u>	<u>\$ 301,034</u>	<u>\$ (25,834)</u>

Contrary to Ohio law, expenditures exceeded appropriations at December 31, 2004 in the FEMA #1 Fund and FEMA #2 Fund, and expenditures exceeded appropriations at December 31, 2003 in the Gasoline Tax Fund, FEMA #1 Fund and Permanent Improvement Fund.

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEM

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

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. RETIREMENT SYSTEM (Continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Promissory Note - Grader	\$ 21,573	4.90%
Promissory Note - Tractor	9,193	4.75%
Total	\$ 30,766	

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 \$9,631. 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
2005	\$ 7,906	\$ 9,631
2006	7,906	
2007	7,906	
Total	\$ 23,718	\$ 9,631

7. RISK MANAGEMENT

Risk Pool Membership

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 coverage 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 judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships 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 Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

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:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,687,203	\$ 27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained Earnings	<u>\$ 17,046,241</u>	<u>\$ 16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained Earnings	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of Lodi Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 26, 2005, 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 that the Township uses 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 26, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003. In a separate letter to the Township's management dated August 26, 2005, we reported other matters related to compliance we deemed immaterial.

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Lodi Township
Athens County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 26, 2005

**LODI TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Finding For Recovery – Repaid Under Audit

Ohio Rev. Code Sections 507.09(A)(4) and (D)(5) state the Township Clerk shall be entitled to compensation of \$11,143 in townships having a budget of more than two hundred fifty thousand, but not more than five hundred thousand dollars, if the Township Clerk was elected prior to December 8, 2000. Effective April 1, 2004, the Township Clerk shall be entitled to compensation of \$11,548 in townships having a budget of more than two hundred fifty thousand, but not more than five hundred thousand dollars.

For 2004, the approved annual budget (as of February 17, 2004) of Lodi Township was \$387,692. Two subsequent amendments to the budget increased it to \$413,397 (as of September 30, 2004). However, the approved budget never exceeded \$500,000 during 2004.

Rosemary Kayser, Township Clerk, began her term as Township Clerk on April 1, 2000 and was reelected to a second term, which began on April 1, 2004. She received an increase in pay on January 1, 2004, three months prior to the start of her new term of office. She was not entitled to the increase in compensation until April 1, 2004, the date her new term as Clerk began. The difference between what she received (\$2,886.99) and what she was due (\$2,785.74) during this period was \$101.25, resulting in an overpayment of compensation.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Rosemary Kayser, Township Clerk, and the Personal Service Insurance Company, her bonding company, jointly and severally, in the amount of \$101.25, in favor of the General Fund of Lodi Township.

The Finding for Recovery was repaid in full on August 31, 2005, receipt number 89-2005.

FINDING NUMBER 2004-002

Findings For Adjustment

Ohio Rev. Code Section 505.24(C) requires trustees' salaries to be paid from the general fund or from other Township funds in such proportions as the Board specifies by resolution. A board of township trustees may adopt by resolution either a salary method of compensation or a per diem method of compensation. The resolution should allocate the salaries based on the types of services provided by the Trustees. If a salary method of compensation is adopted by resolution, Ohio Rev. Code Section 505.24(C) requires that it consist of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division.

**LODI TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

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

**FINDING NUMBER 2004-002
(Continued)**

Findings For Adjustment (Continued)

During our audit, we noted the Board of Trustees was paid a combined total of \$22,554 in 2004 and \$22,284 in 2003. During 2004, the salaries of the Trustees were paid from the General Fund, Gasoline Tax Fund, Motor Vehicle License Tax Fund and Cemetery Fund but a resolution had not been adopted by the Board specifying how Trustee salaries would be allocated. In 2003, the Trustees were paid from the Gasoline Tax Fund, Motor Vehicle License Tax Fund, Road and Bridge Fund and Cemetery Fund. However, activities of an administrative nature, such as monthly Board meetings, should be paid from the General Fund. Also, a resolution had not been adopted by the Board specifying how Trustees' salaries would be allocated.

On September 12, 2005, the Board of Trustees adopted a retroactive resolution authorizing the Trustees to be paid as follows for 2003: \$1,857 from the General Fund, \$12,999 from the Motor Vehicle License Tax Fund, \$1,857 from the Gasoline Tax Fund, \$619 from the Road and Bridge Fund, and \$4,952 from the Cemetery Fund.

On September 12, 2005, the Board of Trustees adopted a retroactive resolution authorizing the Trustees to be paid as follows for 2004: \$1,879.50 from the General Fund, \$12,582.50 from the Motor Vehicle License Tax Fund, \$1,902 from the Gasoline Tax Fund, and \$6,190 from the Cemetery Fund.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the General Fund, in favor of the Cemetery Fund, in the amount of \$1,857 for 2003. This adjustment, representing one month of the Trustees' salaries in 2003, has been agreed to by management of the Township and is reflected in the accompanying financial statements. This adjustment was made on the Township records on September 12, 2005.

We recommend the Township annually adopt a resolution specifying how Trustees' salaries will be allocated. Each resolution should address the appropriate proportions and funds from which all salaries and fringe benefits are to be paid. Benefits such as health insurance and the employer's portion of retirement and Medicare should be paid out of the same funds, and in the same proportions, as the salaries.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

**LODI TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2004-003
(Continued)**

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(B) (Continued)

Actual disbursements exceeded appropriations for the year ended December 31, 2004 at the legal level of control as follows:

Fund	Appropriation Authority	Actual Expenditures	Variance
FEMA #1 Fund	\$ 38,086	\$ 98,674	\$ (60,588)
FEMA #2 Fund	0	1,528	(1,528)

Actual disbursements exceeded appropriations for the year ended December 31, 2003 at the legal level of control as follows:

Fund	Appropriation Authority	Actual Expenditures	Variance
Gasoline Tax Fund	\$ 69,753	\$ 71,799	\$ (2,046)
FEMA #1 Fund	0	35,835	(35,835)
Permanent Improvement Fund	0	31,472	(31,472)

This could result in the Township spending more money than is available to spend.

The Township Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Township Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**LODI TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-40705-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for funds not being encumbered prior to the purchase commitment during 2001 and 2002.	No	Not Corrected This item is not as significant as in the prior audit and is repeated in the current audit Management Letter.



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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
OCTOBER 11, 2005**