



Dave Yost • Auditor of State

**LODI TOWNSHIP
ATHENS COUNTY**

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Dave Yost • Auditor of State

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 an 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 adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 15, 2011

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Dave Yost • Auditor of State

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, 2010 and 2009. 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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Lodi Township, Athens County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2011, 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.



Dave Yost
Auditor of State

July 15, 2011

**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, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 33,067	\$ 131,099	\$ 41,333	\$ 205,499
Intergovernmental	19,588	116,382	7,162	143,132
Earnings on Investments	639	449		1,088
Miscellaneous	712	9,994		10,706
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	54,006	257,924	48,495	360,425
Cash Disbursements:				
Current:				
General Government	45,877	57,911		103,788
Public Safety		48,005		48,005
Public Works		170,470		170,470
Health		18,823		18,823
Capital Outlay			22,108	22,108
Debt Service:				
Redemption of Principal		7,916		7,916
Interest and Fiscal Charges		886		886
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	45,877	304,011	22,108	371,996
Total Cash Receipts Over/(Under) Cash Disbursements	8,129	(46,087)	26,387	(11,571)
Fund Cash Balances, January 1	26,534	163,195	7,452	197,181
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 34,663	\$ 117,108	\$ 33,839	\$ 185,610

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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 35,886	\$ 113,187	\$ 35,346	\$ 184,419
Intergovernmental	16,667	119,095	104,303	240,065
Earnings on Investments	1,213	429		1,642
Miscellaneous	1,680	1,474	36	3,190
	<u>55,446</u>	<u>234,185</u>	<u>139,685</u>	<u>429,316</u>
Total Cash Receipts				
	<u>55,446</u>	<u>234,185</u>	<u>139,685</u>	<u>429,316</u>
Cash Disbursements:				
Current:				
General Government	47,697	45,144	35	92,876
Public Safety		10,491		10,491
Public Works		105,490	338	105,828
Health	943	30,112		31,055
Capital Outlay			159,290	159,290
Debt Service:				
Redemption of Principal		7,641		7,641
Interest and Fiscal Charges		1,161		1,161
	<u>48,640</u>	<u>200,039</u>	<u>159,663</u>	<u>408,342</u>
Total Cash Disbursements				
	<u>48,640</u>	<u>200,039</u>	<u>159,663</u>	<u>408,342</u>
Total Cash Receipts Over/(Under) Cash Disbursements	6,806	34,146	(19,978)	20,974
Fund Cash Balances, January 1	19,728	129,049	27,430	176,207
Fund Cash Balances, December 31	<u>\$ 26,534</u>	<u>\$ 163,195</u>	<u>\$ 7,452</u>	<u>\$ 197,181</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, 2010 AND 2009**

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 the 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 participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for these entities. These organizations are:

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Fiscal Officer of the Township invests all available funds of the Township in an interest bearing checking account and certificates of deposit. 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road District Fund - This fund receives special tax levy money for constructing, maintaining, and repairing township roads.

3. Capital Project 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 Project Funds:

Issue II Fund - The Township received a grant from the Athens County Regional Planning Commission for paving projects.

Permanent Improvement Fund - This fund receives special tax levy money for permanent improvement projects.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

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.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 Deposits and Investments

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

	2010	2009
Demand deposits	\$138,110	\$149,681
Certificates of deposit	47,500	47,500
Total deposits	\$185,610	\$197,181

Deposits: Deposits are 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, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,000	\$54,006	(\$994)
Special Revenue	271,233	257,924	(13,309)
Debt Service	8,802	0	(8,802)
Capital Projects	49,075	48,495	(580)
Total	\$384,110	\$360,425	(\$23,685)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,002	\$45,877	\$10,125
Special Revenue	390,458	304,011	86,447
Debt Service	8,802	0	8,802
Capital Projects	52,358	22,108	30,250
Total	\$507,620	\$371,996	\$135,624

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,239	\$55,446	(\$2,793)
Special Revenue	257,349	234,185	(23,164)
Debt Service	8,802	0	(8,802)
Capital Projects	38,800	139,685	100,885
Total	\$363,190	\$429,316	\$66,126

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,681	\$48,640	\$14,041
Special Revenue	328,623	200,039	128,584
Debt Service	8,802	0	8,802
Capital Projects	59,002	159,663	(100,661)
Total	\$459,108	\$408,342	\$50,766

4. Property Tax

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

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. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Promissory Note - Tractor	\$16,692	3.6%

The Tractor Promissory Note was for the purchase of a tractor. The original note payable was for \$39,626. The full faith and credit of the Township has been pledged to repay the debt.

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Debt (Continued)

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

<u>Year ending December 31:</u>	<u>Total</u>
2011	\$8,802
2012	8,802
Total	<u><u>\$17,604</u></u>

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

7. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**LODI TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. 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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$5,659	\$5,411

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Dave Yost • Auditor of State

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, 2010 and 2009, and have issued our report thereon dated July 15, 2011, 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 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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assume that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-002 in the accompanying Schedule of Findings to be a material weakness.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 15, 2011.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

July 15, 2011

**LODI TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Rev. Code Section 5705.42 states when the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of Section 5705.41 of the Revised Code.

Ohio Rev. Code Section 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting such excess.

Auditor of State Bulletin 2002-004 states the Ohio Public Works Commission (OPWC), will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the capital projects fund equal to the amount disbursed by the OPWC.

The Township did not record the 2009 receipt and expenditure of OPWC (Issue II) payments totaling \$98,721. This resulted in audit adjustments. The audited financial statements reflect the above adjustments.

In addition, the Township did not budget for the on-behalf payments.

We recommend the Township record all on-behalf payments to their accounting system as outlined in the aforementioned bulletin. We also recommend the Township budget for the on-behalf receipts and expenditures.

FINDING NUMBER 2010-002

Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of audit procedures performed, we noted the following errors in the financial statements that required audit adjustment or reclassification:

**LODI TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-002 (Continued)

Material Weakness (Continued)

2010:

- The Fiscal Officer improperly posted payroll-related expenditures such as retirement and health insurance premiums to different funds than where the salaries were paid. This resulted in decreases in the Motor Vehicle License Tax Fund (\$1,943) and the Gasoline Tax Fund (\$3,025). Conversely, this resulted in increases in the General Fund (\$1,693), the Road and Bridge Fund (\$1,399), the Cemetery Fund (\$1,153), the Permissive Motor Vehicle License Tax Fund (\$186) and the Permanent Improvement Fund (\$537).
- The Fiscal Officer improperly classified homestead and rollback, property tax reimbursements and kilowatt-hour tax reimbursements receipts as Taxes rather than Intergovernmental Receipts in the General Fund (\$3,598), the Road and Bridge Fund (\$4,439), the Cemetery Fund (\$1,429), the Fire District Fund (\$1,852), the Road District Fund (\$4,381) and the Permanent Improvement Fund (\$4,064).
- The Fiscal Officer did not accurately allocate debt payments between principal and interest resulting in a decrease of \$886 in Gasoline Tax Fund principal payments and an \$886 increase in the interest payment.
- The Fiscal Officer was improperly paid salary from the Motor Vehicle License Tax Fund (\$1,005) and the Gasoline Tax Fund (\$1,075).
- The Fiscal Officer did not adjust the beginning fund balance in the General Fund (\$1,845) to reflect a voided check from 2009.

2009:

- The Fiscal Officer improperly posted payroll-related expenditures such as retirement and health insurance premiums to different funds than where the salaries were paid. This resulted in decreases in the Motor Vehicle License Tax Fund (\$1,955) and the Gasoline Tax Fund (\$1,501). Conversely, this resulted in increases in the General Fund (\$671), the Road and Bridge Fund (\$352), the Cemetery Fund (\$1,026) and the Permanent Improvement Fund (\$1,407).
- The Fiscal Officer improperly classified homestead and rollback, property tax reimbursements and kilowatt-hour tax reimbursements receipts as Taxes rather than Intergovernmental Receipts in the General Fund (\$3,976), the Road and Bridge Fund (\$7,647), the Cemetery Fund (\$2,180), the Fire District Fund (\$2,994), the Road District Fund (\$4,420) and the Permanent Improvement Fund (\$5,513).
- The Fiscal Officer improperly classified personal property reimbursements and manufactured home tax as taxes to the Cemetery Fund rather than allocated between taxes and intergovernmental receipts in the Road District Fund. This resulted in a \$557 decrease in Cemetery Fund taxes and an increase of \$483 in Road District taxes and \$74 in Road District intergovernmental receipts.
- The Fiscal Officer did not post interest to UAN and improperly posted cumulative interest into the system. This resulted in a \$281 increase in General Fund cash and interest revenue.
- The Fiscal Officer did not accurately allocate debt payments between principal and interest resulting in a decrease of \$8,802 in Road and Bridge Fund public works payments and a \$7,641 increase in the Road and Bridge Fund principal payment and \$1,161 interest payment.
- The Fiscal Officer paid Trustee salaries more from the Road and Bridge Fund than allowable. This resulted in an increase to the General Fund of \$1,152 and a decrease to the Road and Bridge Fund of \$1,152.

**LODI TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING NUMBER 2010-002 (Continued)

Material Weakness (Continued)

- The Fiscal Officer was improperly paid salary from the Motor Vehicle License Tax Fund (\$2,162) and the Gasoline Tax Fund (\$2,764).
- The Fiscal Officer did not adjust the beginning fund balance in the General Fund (\$16) to reflect a voided check from 2008.
- The Fiscal Officer repeated an adjustment for an inappropriate transfer from the Cemetery Fund to the General Fund (\$5,000).

These misstatements had the following net effect on the Township's financial statements as of December 31, 2010:

Fund	Audited Fund Balance 12/31/10	UAN Fund Balance 12/31/10	Adjustments
General	\$34,663	\$39,904	(\$5,241)
Motor Vehicle License Tax	16,987	9,922	7,065
Gasoline Tax	30,094	21,729	8,365
Road and Bridge	21,794	22,393	(599)
Cemetery	8,110	15,845	(7,735)
Road District	28,851	28,294	557
Permissive Motor Vehicle License Tax	8,941	9,127	(186)
Permanent Improvement	33,839	35,783	(1,944)

These misstatements were caused by management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

Officials' Response: The Township chose not to respond to the above findings.

**LODI TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	A noncompliance citation and material weakness for not allocating insurance premiums from the same source used to pay the Trustees' compensation.	No	Not Corrected – Repeated in the current Management Letter.
2008-002	A noncompliance citation and material weakness for a transfer of funds not complying with Ohio Rev. Code Section 5705.14	Yes	
2008-003	A noncompliance citation for appropriations exceeded actual receipts plus available cash balances.	No	Not Corrected – Repeated in the current Management Letter.
2008-004	A material weakness for budgeted receipts as adopted by the Township Trustees and filed with the County Auditor, not agreeing to the Township's accounting system for all funds.	No	Not Corrected – Repeated in the current Management Letter.
2008-005	A material weakness for financial statement adjustments.	No	Not corrected – Repeated in the current Schedule of Findings as 2010-002.



Dave Yost • Auditor of State

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
AUGUST 9, 2011