



Mary Taylor, CPA  
Auditor of State



**LODI TOWNSHIP  
ATHENS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	21

**This page intentionally left blank.**



# Mary Taylor, CPA

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 a interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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 "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 8, 2009

**This page intentionally left blank.**



# Mary Taylor, CPA

## 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, 2008 and 2007. 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's financial transactions were processed using 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 conduct the audit of 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 opinions.

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, 2008 and 2007 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, 2008 and 2007, 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 and reserves for encumbrances of Lodi Township, Athens County, Ohio, as of December 31, 2008 and 2007, 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 October 8, 2009, 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.



**Mary Taylor, CPA**  
Auditor of State

October 8, 2009



**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, 2008**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 29,933	\$ 99,567	\$ 34,557	\$ 164,057
Intergovernmental	20,336	133,627	5,761	159,724
Earnings on Investments	2,260	534		2,794
Miscellaneous	566	8,075		8,641
<b>Total Cash Receipts</b>	<b>53,095</b>	<b>241,803</b>	<b>40,318</b>	<b>335,216</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	94,394	5,473		99,867
Public Safety		35,601		35,601
Public Works		232,510		232,510
Health	955	8,590		9,545
Capital Outlay		2,945	54,391	57,336
Debt Service:				
Redemption of Principal		7,376		7,376
Interest and Fiscal Charges		1,426		1,426
<b>Total Cash Disbursements</b>	<b>95,349</b>	<b>293,921</b>	<b>54,391</b>	<b>443,661</b>
Total Cash Receipts Over/(Under) Cash Disbursements	(42,254)	(52,118)	(14,073)	(108,445)
Fund Cash Balances, January 1	61,982	181,167	41,503	284,652
<b>Fund Cash Balances, December 31</b>	<b>\$ 19,728</b>	<b>\$ 129,049</b>	<b>\$ 27,430</b>	<b>\$ 176,207</b>
Reserve for Encumbrances, December 31	\$ 343	\$ 541	\$ 0	\$ 884

*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, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 31,274	\$ 106,612	\$ 35,510	\$ 173,396
Intergovernmental	61,884	110,411	4,052	176,347
Earnings on Investments	4,294	616		4,910
Miscellaneous	2,409	1,538		3,947
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	99,861	219,177	39,562	358,600
<b>Cash Disbursements:</b>				
Current:				
General Government	78,252			78,252
Public Safety		10,190		10,190
Public Works		164,042		164,042
Health	948	12,452		13,400
Capital Outlay		39,626	38,786	78,412
Debt Service:				
Redemption of Principal		7,430		7,430
Interest and Fiscal Charges		383		383
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	79,200	234,123	38,786	352,109
Total Cash Receipts Over/(Under) Cash Disbursements	20,661	(14,946)	776	6,491
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes		39,626		39,626
Other Uses	(1,194)			(1,194)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(1,194)	39,626	0	38,432
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	19,467	24,680	776	44,923
Fund Cash Balances, January 1, as restated	42,515	156,487	40,727	239,729
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 61,982</b>	<b>\$ 181,167</b>	<b>\$ 41,503</b>	<b>\$ 284,652</b>

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

**LODI TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**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 participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Cemetery Fund - This fund receives property tax money for maintaining Township cemeteries.

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

**LODI TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Project Fund:

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

**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, 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. Unencumbered appropriations lapse at year end.

**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 are carried over and need not be reappropriated.

A summary of 2008 and 2007 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 AND INVESTMENTS**

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

**LODI TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	2008	2007
Demand deposits	\$ 128,707	\$ 237,152
Certificate of deposit	47,500	47,500
Total deposits and investments	\$ 176,207	\$ 284,652

**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, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 55,937	\$ 53,095	\$ (2,842)
Special Revenue	223,584	241,803	18,219
Capital Projects	40,223	40,318	95
Total	\$ 319,744	\$ 335,216	\$ 15,472

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 107,987	\$ 95,692	\$ 12,295
Special Revenue	344,248	294,462	49,786
Capital Projects	78,900	54,391	24,509
Total	\$ 531,135	\$ 444,545	\$ 86,590

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 98,721	\$ 99,861	\$ 1,140
Special Revenue	29	258,803	258,774
Capital Projects	40,000	39,562	(438)
Total	\$ 138,750	\$ 398,226	\$ 259,476

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 103,229	\$ 80,394	\$ 22,835
Special Revenue	409,297	234,123	175,174
Capital Projects	80,725	38,786	41,939
Total	\$ 593,251	\$ 353,303	\$ 239,948

**LODI TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**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. DEBT**

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Promissory Note - Tractor	\$ 32,250	3.60%

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.

The following is a summary of the Township's future annual debt service requirements:

Year	Tractor Note	
	Principal	Interest
2009	\$ 7,641	\$ 1,161
2010	7,916	886
2011	8,201	601
2012	8,492	310
Total	\$ 32,250	\$ 2,958

**6. 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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**LODI TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**LODI TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

Township Contributions to OTARMA	
-----	
2006	8,062
2007	6,548
2008	5,411

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.





# Mary Taylor, CPA

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, 2008 and 2007 and have issued our report thereon dated October 8, 2009, 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 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. 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 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We consider findings 2008-001, 2008-002, 2008-004 and 2008-005 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-001, 2008-002, 2008-004 and 2008-005 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated October 8, 2009.

#### **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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-001 through 2008-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 8, 2009.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



**Mary Taylor, CPA**  
Auditor of State

October 8, 2009

**LODI TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

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

**FINDING NUMBER 2008-001**

**Noncompliance Citation and Material Weakness – House Bill 458**

Effective December 30, 2008, House Bill 458 made relevant changes to health care provided to township officials, employees, and their dependents. One of the clarifications made by HB 458 is that Townships may pay for health care coverage from the same township sources used to pay employee and officer compensation.

Ohio Rev. Code Section 505.60(A) states, in part, that if the board procures any insurance policies under this Section, the board shall provide uniform coverage under these policies for township officers and full-time employes and their immediate dependents from the funds or budgets from which the officers or employees are compensated for services.

The Township did not allocate insurance premiums from the same sources used to pay the trustees' compensation. The variances between health insurance premium costs and other employee payroll expenses based on the fund allocation of salaries and the actual allocation of premiums are as follows:

	2007		
	Per Salary Fund Allocation	Actual Allocation	Variance
General Fund	\$ 9,443	\$ 7,420	\$ 2,023
Motor Vehical License Tax	2,116	3,852	(1,736)
Gasoline Tax	13,216	12,545	671
Road and Bridge	682	348	334
Cemetery	1,372	1,800	(428)
Permissive Motor Vehicle License Tax	365	1,483	(1,118)
Permanent Improvement	606	352	254
	2008		
	Per Salary Fund Allocation	Actual Allocation	Variance
General Fund	\$ 13,018	\$ 9,398	\$ 3,620
Motor Vehical License Tax	305	2,474	(2,169)
Gasoline Tax	16,014	16,551	(537)
Road and Bridge	936	338	598
Cemetery	255	1,300	(1,045)
Permissive Motor Vehicle License Tax	167	633	(466)

**LODI TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**FINDING NUMBER 2008-001 (Continued)**

**Noncompliance Citation and Material Weakness – House Bill 458 (Continued)**

	Net Variance
General Fund	\$ 5,643
Motor Vehicle License Tax	(3,905)
Gasoline Tax	134
Road and Bridge	932
Cemetery	(1,473)
Permissive Motor Vehicle License Tax	(1,584)
Permanent Improvement	254

These adjustments, with which management agrees, have been posted to the Township's accounting records and are reflected within the accompanying financial statements.

We recommend the Township allocate insurance premiums and other employee salary expenses from the same sources used to pay officer compensation.

**Officials' Response:** The Fiscal Officer will try to be more careful to do so.

**FINDING NUMBER 2008-002**

**Noncompliance Citation and Material Weakness**

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provide guidelines pertaining to allowable interfund transfers. Ohio Rev. Code Section 5705.14 provides that interfund transfers shall only be made by resolution of the taxing authority. See also 1989 Op. Att'y Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds.) In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority.

The Township transferred \$5,000 from the Cemetery Fund into the General Fund, which did not comport with Ohio Rev. Code Section 5705.14 and did not meet the requirements of Ohio Rev. Code Section 5705.15 and 5705.16. The audited financial statements reflect an adjustment to reverse this entry for the year ended December 31, 2008.

We recommend the Township monitor any future fund transfers to ensure they are in accordance with the Ohio Revised Code.

**Officials' Response:** The December 2008 General Fund account balance was \$3,865.76. This amount was insufficient to meet expenses. Due to approaching end of the year accounting demands, we transferred \$5,000 from the Cemetery Fund to the General Fund. When funds were available (March 2009) \$5,000 was then transferred from the General Fund back to the Cemetery Fund.

**LODI TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2008-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Appropriations exceeded actual receipts plus available cash balances at December 31, 2007 as follows:

<u>Fund</u>	<u>Amount Exceeded</u>
Gasoline Tax	\$13,422
Road District	13,226
Permanent Improvement	435

We recommend the Township monitor estimated and actual receipts and, upon determination that the deficiency in actual receipts will reduce the available resources below the current level of appropriation, obtain reduced amended certificate of available resources and appropriation measure.

**Officials' Response:** The Fiscal Officer wasn't aware that this was proper procedure. The Township's goal is not to spend more than we actually have in the checking account.

**FINDING NUMBER 2008-004**

**Material Weakness**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2007, budgeted receipts, as adopted by the Township Trustees and filed with the County Auditor, did not agree to the Township's accounting system for all funds. The variances and funds are as follows:

**LODI TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**FINDING NUMBER 2008-004 (Continued)**

**Material Weakness (Continued)**

Fund	Per the Certificate of Estimated Resources	Per the Accounting System	Variance
General	\$ 98,721	\$ 56,675	\$ (42,046)
Motor Vehicle License Tax	16,500	16,225	(275)
Gasoline Tax	100,000	98,400	(1,600)
Road and Bridge	86,566	84,107	(2,459)
Cemetery	4,808	15,950	11,142
Fire District	20,977	16,640	(4,337)
Road District	42,978	34,965	(8,013)

At December 31, 2008, budgeted receipts and appropriations, as adopted by the Township Trustees and filed with the County Auditor, did not agree to the Township's accounting system for all funds. The variances and funds are as follows:

Fund	Per the Certificate of Estimated Resources	Per the Accounting System	Variance
General	\$ 60,937	\$ 61,944	\$ 1,007
Motor Vehicle License Tax	11,648	16,225	4,577
Gasoline Tax	89,359	91,900	2,541
Road and Bridge	50,901	49,877	(1,024)
Cemetery	15,005	17,250	2,245
Fire District	22,000	21,850	(150)
Permissive Motor Vehicle License Tax	3,483	5,000	1,517
Road District	32,000	30,125	(1,875)
Permanent Improvement	40,223	39,900	(323)

Fund	Per the Appropriation Measure	Per the Accounting System	Variance
General	\$ 104,368	\$ 106,368	\$ 2,000
Road & Bridge	81,262	87,029	5,767
Fire District	40,225	40,600	375

The Trustees lost some degree of budgetary control because they were unable to monitor actual results of operations against the amounts adopted at the beginning of the years.

We recommend the Township Fiscal Officer accurately post estimated receipts as certified by the County Budget Commission. This process will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**Officials' Response:** The Fiscal Officer will try to do better in the future.

**LODI TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2008-005**

**Material Weakness – Financial Statement Adjustments**

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:

2008:

- The Fiscal Officer allocated Property Tax Receipts contrary to the allocation on the Statements of Semi-Annual Apportionment Sheets provided by the County Auditor. This resulted in adjustments to increase the Road and Bridge Fund balance by \$8,802 and to decrease the Note Retirement Fund by \$8,802.
- We adjusted the debt retirement activity to report in the Road and Bridge Fund per the adjustment above. This resulted in a decrease the Road and Bridge Fund balance of \$8,802 and an increase the Note Retirement Fund of \$8,802.
- 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 General Fund (\$3,620) and the Road and Bridge Fund (\$598). Conversely, this resulted in increases in the Motor Vehicle License Tax Fund (\$2,169), the Cemetery Fund (\$1,045), the Permissive Motor Vehicle License Tax Fund (\$466) and the Gasoline Tax Fund (\$537).
- The Fiscal Officer did not accurately allocate debt payments between principal and interest resulting in an decrease of \$1,427 in Road and Bridge Fund principal payments and a \$1,427 increase in the interest payment.
- 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 (\$5,555), the Road and Bridge Fund (\$6,852), the Fire District Fund (\$3,127), the Road Maintenance Fund (\$4,320), the Cemetery Fund (\$2,281), the Permissive Motor Vehicle License Tax Fund (\$5,358) and the Permanent Improvement Fund (\$5,761).
- The Fiscal Officer transferred \$5,000 from the Cemetery Fund to the General Fund, which is unallowable per Ohio Rev. Code Section 5705.05.

2007:

- The Fiscal Officer allocated Property Tax Receipts contrary to the allocation on the Statements of Semi-Annual Apportionment Sheets provided by the County Auditor. This resulted in adjustments to increase the Road and Bridge Fund balance by \$7,813 and to decrease the Note Retirement Fund by \$7,813.
- We adjusted the debt retirement activity to report in the Road and Bridge Fund per the adjustment above. This resulted in a decrease the Road and Bridge Fund balance of \$7,813 and an increase the Note Retirement Fund of \$7,813.

**LODI TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2008-005 (Continued)**

**Material Weakness – Financial Statement Adjustments (Continued)**

- 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 General Fund (\$2,023), the Road and Bridge Fund (\$334), the Permanent Improvement Fund (\$254) and the Gasoline Tax Fund (\$671). Conversely, this resulted in increases in the Motor Vehicle License Tax Fund (\$1,736), the Cemetery Fund (\$428) and the Permissive Motor Vehicle License Tax Fund (\$1,118).
- The Township did not post the proceeds of a loan (\$39,626) or the corresponding capital outlay expenditure (\$39,626) for the purchase of a tractor in the Road and Bridge Fund.

Lack of due care in posting correctly resulted in audit adjustments. The audited financial statements reflect the above adjustments.

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 Fiscal Officer will consult the Township manual if there is a question.



**LODI TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	A finding for recovery which was repaid under audit was issued against an employee for compensation in excess of hours worked times the pay rate.	Yes	NA
2006-002	A material noncompliance citation/significant deficiency was issued under Ohio Revised Code Section 149.351(A) for destruction or damage of records.	Yes	NA
2006-003	A material noncompliance citation/significant deficiency was issued under Ohio Revised Code Section 5705.41(B) for expenditures exceeding legally adopted appropriations	No	Partially Corrected; this citation was repeated in a separate letter to management dated October 8, 2009.





**Mary Taylor, CPA**  
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  
NOVEMBER 10, 2009**