



**Auditor of State
Betty Montgomery**

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Londonderry Township
Guernsey County
70851 Jasper Road
Freeport, Ohio 43973

To the Board of Trustees:

We have audited the accompanying financial statements of Londonderry Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Londonderry Township, Guernsey County, as of December 31 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 28, 2003

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$14,793	\$10,056	\$	\$24,849
Intergovernmental	10,240	66,237	3,602	80,079
Earnings on Investments	3,348	5,497		8,845
Other Revenue	565	438		1,003
	<u>28,946</u>	<u>82,228</u>	<u>3,602</u>	<u>114,776</u>
Cash Disbursements:				
Current:				
General Government	23,784			23,784
Public Safety	660	4,485		5,145
Public Works		59,511		59,511
Health	126	2,300		2,426
Capital Outlay		36,100	6,300	42,400
	<u>24,570</u>	<u>102,396</u>	<u>6,300</u>	<u>133,266</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>4,376</u>	<u>(20,168)</u>	<u>(2,698)</u>	<u>(18,490)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		35,000		35,000
Sale of Fixed Assets		700		700
	<u>0</u>	<u>35,700</u>	<u>0</u>	<u>35,700</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,376	15,532	(2,698)	17,210
Fund Cash Balances, January 1	<u>35,749</u>	<u>143,702</u>	<u>7,098</u>	<u>186,549</u>
Fund Cash Balances, December 31	<u>\$40,125</u>	<u>\$159,234</u>	<u>\$4,400</u>	<u>\$203,759</u>

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

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$14,389	\$9,666	\$	\$24,055
Intergovernmental	8,364	70,669	5,109	84,142
Licenses, Permits, and Fees	662			662
Earnings on Investments	1,712	2,574		4,286
Other Revenue		80		80
Total Cash Receipts	<u>25,127</u>	<u>82,989</u>	<u>5,109</u>	<u>113,225</u>
Cash Disbursements:				
Current:				
General Government	31,440			31,440
Public Safety	905	8,241		9,146
Public Works	122	62,752	3,277	66,151
Health	1,444			1,444
Capital Outlay		4,713		4,713
Total Cash Disbursements	<u>33,911</u>	<u>75,706</u>	<u>3,277</u>	<u>112,894</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(8,784)</u>	<u>7,283</u>	<u>1,832</u>	<u>331</u>
Fund Cash Balances, January 1	<u>44,533</u>	<u>136,419</u>	<u>5,266</u>	<u>186,218</u>
Fund Cash Balances, December 31	<u>\$35,749</u>	<u>\$143,702</u>	<u>\$7,098</u>	<u>\$186,549</u>

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

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Londonderry Township, Guernsey County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Antrim Fire Department, Freeport Fire Department, and Moorefield Fire Department to provide fire services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Funds

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

Public Works Fund – This fund received money from Guernsey County for road repair.

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 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. The Township did not properly encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Total Deposits	<u>\$203,759</u>	<u>\$186,549</u>

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,176	\$28,946	\$6,770
Special Revenue	109,656	117,928	8,272
Capital Projects	3,602	3,602	0
Total	\$135,434	\$150,476	\$15,042

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,021	\$24,570	\$13,451
Special Revenue	140,720	102,396	38,324
Capital Projects	6,300	6,300	0
Total	\$185,041	\$133,266	\$51,775

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,173	\$25,127	(\$1,046)
Special Revenue	80,365	82,989	2,624
Capital Projects	5,109	5,109	0
Total	\$111,647	\$113,225	\$1,578

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$33,911	(\$33,911)
Special Revenue	0	75,706	(75,706)
Capital Projects	0	3,277	(3,277)
Total	\$0	\$112,894	(\$112,894)

Contrary to Ohio law, an appropriation measure was not adopted by the Board of Trustees and budgetary expenditures exceeded appropriations for each of the Township's funds during 2001. During 2002, the Gasoline Tax Fund expenditures exceeded appropriations by \$5,692.

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

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

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, 2002 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$35,000	3%

The notes were issued to finance the purchase of a new mower/tractor. The notes are collateralized solely by the Township's taxing authority.

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

	General Obligation Notes
Year ending December 31:	
2003	\$12,787
2004	12,414
2005	12,040
Total	\$37,241

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA) which is a risk pool more fully discussed in Note 8. The following risks are covered by the pool:

- Legal Liability, third party claims coverage
- Automobile Liability
- Automobile Physical Coverage
- Wrongful Acts
- Property, including building and contents and inland marine

The Township has elected not to procure a group health insurance plan. However, in accordance with Ohio Revised Code § 505.60, the Township has opted to reimburse the Clerk and Trustees for their out-of-pocket insurance premiums for allowable insurance coverage provided elsewhere up to a maximum of \$150 per person per month.

8. 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.

Casualty Coverage

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

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

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

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. RISK POOL MEMBERSHIP (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2001 and 2000 (latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



**Auditor of State
Betty Montgomery**

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

Londonderry Township
Guernsey County
70851 Jasper Road
Freeport, Ohio 43973

To the Board of Trustees:

We have audited the accompanying financial statements of Londonderry Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-004, 2002-006 and 2002-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-004, 2002-005, 2002-007 and 2002-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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

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

Betty Montgomery
Auditor of State

April 28, 2003

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code § 135.21 and § 5705.10 require interest earned to be credited to the General Fund, with certain exceptions. One exception is that interest earned on money derived from a motor vehicle license or fuel tax must follow the principle. (See Article XII, Section 5a, Ohio Constitution).

During 2001, interest earned on motor vehicle license and fuel tax was not properly allocated to the Motor Vehicle License, Gasoline Tax and Permissive Motor Vehicle License Funds. As a result of the foregoing facts, an adjustment was necessary reducing the General Fund interest revenue by \$2,172, and increasing interest revenue in the Motor Vehicle License, Gasoline Tax, and Permissive Motor Vehicle License funds, in the amounts of \$528, \$1,472, and \$172, respectively.

This adjustment, with which management agrees, has been posted to the Township's books and is reflected in the accompanying financial statements. We recommend the Township Clerk adopt a reasonable allocation method for interest to comply with the aforementioned laws.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code § 5705.10 states that money paid into a fund may only be used for the purpose for which the fund is established. As the Clerk's duties are administrative in nature, and the Gasoline Tax Fund may not be used to pay for general administrative services, the Clerk's salary and benefits should therefore be paid from the Township's General Fund. During 2001, the Township paid \$193 of the Clerk's PERS benefits from the Gasoline Tax Fund.

As a result of the foregoing facts, an adjustment was necessary reducing the General Fund balance in the amount of \$193, and increasing the Gasoline Tax Fund balance in a like amount. This adjustment, with which management agrees, has been posted to the Township's books and is reflected in the accompanying financial statements. We recommend the Clerk pay all of her future salary and benefits from the Township's General Fund.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Rev. Code § 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received.

During 2002, the Township posted one of the homestead and rollback reimbursements entirely to the Township's General Fund instead of being properly divided between the General Fund, Road and Bridge Fund, and Fire Fund. As a result of the foregoing facts, an adjustment was necessary reducing the General Fund balance by \$623 and increasing the Road and Bridge Fund and Fire Fund balances, in the amounts of \$382 and \$241, respectively.

This adjustment, with which management agrees, has been posted to the Township's books and is reflected in the accompanying financial statements. We recommend the Township Clerk post all homestead and rollback reimbursements in the proper funds in accordance with the distribution sheet provided on the county auditor property tax settlements.

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-004

Noncompliance and Reportable Condition

Ohio Rev. Code § 5705.38 states that on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure. Ohio Rev. Code § 5705.39 states that no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimated resources or amended official estimated resources.

During 2001, the Board of Township Trustees (the Board) did not adopt an appropriation resolution and, therefore, an appropriation measure was not submitted to the County Budget Commission and a certificate that total appropriations from each fund do not exceed the total official estimated resources or amended official estimated resources was not received from the County Auditor. Although the Board did not adopt an appropriation resolution, the Clerk entered appropriation amounts into the Township's accounting system. The budgetary information in the notes to the financial statements has been adjusted to reflect that no appropriations had been adopted by the Board.

We recommend the Board adopt an annual appropriation measure on or about the first day of each year as required by law and record this action in the Board's minutes. The Clerk should file its annual appropriation measure with the County Budget Commission in order to receive certification from the County Auditor that appropriations do not exceed estimated resources, and the Clerk should post appropriations to the accounting system only after both the Board and the County Budget Commission have approved and certified the annual appropriation measure.

FINDING NUMBER 2002-005

Reportable Condition

During 2002, the appropriations as approved by the Board on January 23, 2002 did not agree to the appropriations posted to the accounting system. The following schedule compares approved appropriations to those posted to the accounting system as of December 31, 2002:

Fund	Appropriations posted to the accounting system	Approved Appropriations	Variance
General	\$39,935	\$38,021	\$1,914
Gasoline Tax	\$108,570	\$73,570	\$35,000

The amounts presented in the notes to the financial statements have been reduced to reflect only those appropriations approved by the Board, as noted in the Board's minutes.

We recommend the Board follow the same procedures in Ohio Rev. Code § 5705.38 when amending appropriation measures.

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-006

Noncompliance Citation

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

During 2002, the Gasoline Tax Fund expenditures exceeded appropriations by \$5,692. This resulted from the Township failing to budget note proceeds.

During 2001, each fund's expenditures exceeded appropriations since the Board had not adopted an appropriation resolution.

We recommend the Board and Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible. The Clerk should deny requests for payment when Board adopted appropriations are not available.

FINDING NUMBER 2002-007

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision (Township Clerk) that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that, both at the time the contract or order was made and at the time he is completing his certification, a sufficient sum was appropriated and free of any previous encumbrances, the taxing authority (Township Board of Trustees) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without affirmation of the taxing authority, upon completion of the then and now certificate, provided the expenditure is otherwise lawful.

The Township includes certification language as part of its purchase order. However, the Clerk's prior certification was not obtained for 53% of the expenditures tested and the aforementioned exceptions were not followed.

We recommend Township personnel obtain proper certification from the Clerk prior to incurring any obligations on behalf of the Township.

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-008

Reportable Condition

During 2002, the amount of Gasoline Tax Fund budgeted receipts posted to the accounting system was \$48,215 while the amount shown on the final amended certificate of estimated resources was \$83,215, resulting in a variance of \$35,000. There was also a minor variance between these two records for the Cemetery Fund during 2001.

This resulted in Township management having inaccurate comparisons of budgeted to actual receipts. Adjustments were made to the notes to the financial statements in order to accurately present the certified amounts of estimated receipts.

We recommend the Township record estimated receipts directly from the certificate of estimated resources and any amendments thereto. This would ensure useful comparisons of estimated to actual receipts to be made throughout the year and help indicate when an increased or decreased amended certificate should be obtained.

**LONDONDERRY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-41030-001	Ohio Rev. Code § 5705.41(D), failure to certify availability of funds	No	Not corrected; reissued as finding 2002-007.
2000-41030-002	Ohio Rev. Code §135.18, failure to fully collateralize public funds	Yes	Fully corrected.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

LONDONDERRY TOWNSHIP

GUERNSEY 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
JUNE 17, 2003**