



**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



DODSON TOWNSHIP  
HIGHLAND COUNTY

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Dodson Township  
Highland County  
3100 U.S. Rt. 50  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Dodson Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. 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 and reserves for encumbrances of the Township as of December 31, 2001 and 2000, 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 March 18, 2002 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 management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

March 18, 2002

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**DODSON TOWNSHIP  
HIGHLAND COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Fiduciary Funds</b>	
<b>Cash Receipts:</b>				
Local Taxes	\$8,596	\$23,944	\$0	\$32,540
Intergovernmental	41,263	64,373		105,636
Earnings on Investments	858	314	181	1,353
Other Revenue	1,017	400		1,417
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	51,734	89,031	181	140,946
<b>Cash Disbursements:</b>				
Current:				
General Government	22,837			22,837
Public Works	25,000	53,590		78,590
Health	1,050	7,554		8,604
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	48,887	61,144	0	110,031
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	2,847	27,887	181	30,915
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	30,768	43,856	5,004	79,628
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>\$33,615</b>	<b>\$71,743</b>	<b>\$5,185</b>	<b>\$110,543</b>

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

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$7,139	\$22,490	\$0	\$29,629
Intergovernmental	19,487	62,397		81,884
Earnings on Investments	1,502	225	198	1,925
Other Revenue	285			285
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	28,413	85,112	198	113,723
<b>Cash Disbursements:</b>				
Current:				
General Government	23,079			23,079
Public Safety		10,528		10,528
Public Works	5,355	75,311		80,666
Health	2,400	5,722	300	8,422
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	30,834	91,561	300	122,695
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(2,421)	(6,449)	(102)	(8,972)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	33,189	50,305	5,106	88,600
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>\$30,768</b>	<b>\$43,856</b>	<b>\$5,004</b>	<b>\$79,628</b>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$187	\$209	\$0	\$396

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



**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Dodson Township, Highland County, Ohio (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 maintenance and cemetery maintenance. Fire protection and emergency medical services for residents are provided by the Lynchburg Area Joint Fire and Ambulance District.

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 Deposits**

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

**2. Special Revenue Funds**

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

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

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

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

Road and Bridge Fund - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

Cemetery Levy Fund - This fund receives proceeds from a tax levy for providing cemetery maintenance.

Permissive Motor Vehicle License Tax Fund - This fund receives proceeds from the tax levied on all motor vehicle licenses sold in the Township for road maintenance and repairs.

**3. Fiduciary Funds (Nonexpendable Trust)**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

The Stroup Bequest Fund - This fund was bequeathed to the Township for the upkeep, maintenance, beautifying and care of the Stroup Cemetery.

**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. 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 at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. However, there were no material undisclosed outstanding encumbrances at December 31, 2001 and 2000.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

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

A summary of 2001 and 2000 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 DEPOSITS**

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

	2001	2000
Demand deposits	\$68,258	\$67,646
Certificates of deposit	42,285	11,982
Total deposits	\$110,543	\$ 79,628

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,172	\$51,734	\$12,562
Special Revenue	90,389	89,031	(1,358)
Fiduciary	292	181	(111)
Total	\$129,853	\$140,946	\$11,093

  

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,679	\$48,887	\$11,792
Special Revenue	137,020	61,144	75,876
Fiduciary	296	0	296
Total	\$197,995	\$110,031	\$87,964

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,293	\$28,413	\$4,120
Special Revenue	85,681	85,112	(569)
Fiduciary	283	198	(85)
Total	\$110,257	\$113,723	\$3,466

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,060	\$31,021	\$13,039
Special Revenue	126,049	91,770	34,279
Fiduciary	389	300	89
Total	\$170,498	\$123,091	\$47,407

The Township did not obtain prior certification of the fiscal officer for all purchases nor were commitments properly encumbered as required by Ohio Law.

Contrary to Ohio law, appropriations exceeded certified resources in the Gasoline Tax Fund by \$4,500 for the year ended December 31, 2001 and in the Fire Levy Fund by \$2,564 for the year ended December 31, 2000.

Also contrary to Ohio law, the Board of Trustees authorized the Clerk to post appropriation changes to the accounting records during the year without specific board resolutions authorizing individual appropriation changes.

The Township did not obtain an amended certificate of estimated resources for all available funds which were appropriated and expended during 2000. Estimated receipts exceeded actual receipts by \$1,090 in the Permissive Motor Vehicle License Tax Fund and by \$111 in the Stroup Bequest Fund for 2001. Estimated receipts exceeded actual receipts by \$2,410 in the Gasoline tax Fund and by \$85 in the Stroup Bequest Fund for 2000.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**4. PROPERTY TAX (Continued)**

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

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

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

**5. RETIREMENT SYSTEMS**

The Township's elected officials 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance 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 Insurance

OTARMA retains casualty risks up to \$250,000 per claim. 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, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

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.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**6. RISK MANAGEMENT (Continued)**

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.

Financial Position

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

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$22,684,383	\$18,172,222
Liabilities	<u>8,924,977</u>	<u>5,947,013</u>
Retained earnings	<u>\$13,759,406</u>	<u>\$12,225,209</u>
<u>Property Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$4,156,784	\$3,544,437
Liabilities	<u>497,831</u>	<u>674,752</u>
Retained earnings	<u>\$3,658,953</u>	<u>\$2,869,685</u>

**7. Noncompliance**

1. The clerk did not post all receipts for the proper funds, as required by the Ohio Rev. Code, thereby requiring several reclassifications and adjustments to the accompanying financial statements.
2. The Township did not post all receipts and disbursements in accordance with the chart of accounts prescribed in the Ohio Administrative Code.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Dodson Township  
Highland County  
3100 U.S. Rt. 50  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Dodson Township, Highland County, Ohio (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 18, 2002. 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 2001-40436-001 to 2001-40436-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 18, 2002.

**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 judgement, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-40436-005, 2001-40436-006, and 2001-40436-007.

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, of the reportable conditions described above, we consider items 2001-40436-005 and 2001-40436-006 to be material weaknesses.

Dodson Township  
Highland County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

March 18, 2002



**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

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

**FINDING NUMBER 2001-40436-001**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.10, provides that revenue from a special source other than general property taxes shall be credited to a special fund established for that purpose. The March 2001 gasoline tax distribution of \$ 2,646 was improperly posted to the General Fund, the January 2001 motor vehicle license tax distribution of \$ 327 was improperly posted to the Permissive Motor Vehicle License Tax Fund, and the January 2001 permissive motor vehicle license tax distribution of \$920 was improperly posted to the Motor Vehicle License Tax Fund. The Clerk made fund balance adjustments to the accounting system on February 11, 2002 to correct these improper postings, and these receipts are correctly reported on the accompanying financial statements.

**FINDING NUMBER 2001-40436-002**

**Noncompliance Citation**

Section 5705.39, Revised Code, provides that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures as certified by the budget commission. For the year 2001, \$75,481 was appropriated to the Gasoline Tax Fund but only \$70,981 had been certified. Therefore appropriations exceeded the certified resources by \$4,500. For the year 2000, \$10,528 was appropriated to the Fire Levy Fund, but only \$7,964 had been certified. Appropriations exceeded the certified resources by \$2,564.

**FINDING NUMBER 2001-40436-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36 requires that an increased amended certificate be obtained for revenue collected in an amount greater than the amount on the official certificate of estimated resources, if the legislative authority intends to appropriate and expend the additional revenue. For the year 2000, a fund balance of \$7,964 was certified on the official certificate for the Fire Levy Fund. There were no estimated receipts for the year. Due to a fund balance adjustment found during the prior audit, the Fire Levy Fund balance was increased to \$10,528. The total balance was appropriated and expended, however the Township failed to obtain an increased amended certificate.

Ohio Rev. Code, Section 5705.36, also requires that a reduced amended certificate be obtained if actual receipts for the year are less than estimated receipts and the amount of the deficiency will reduce available resources below the appropriations. For the year 2001, certified estimated resources and appropriations in the Permissive Motor Vehicle License Tax Fund were \$17,545, however beginning fund balance plus actual receipts only totaled \$16,455. Estimated receipts exceeded actual receipts by \$1,090 in the Permissive Motor Vehicle License Tax Fund. Also for the year 2001, certified estimated resources and appropriations in the Stroup Bequest Fund were \$296, however beginning fund balance plus actual receipts only totaled \$185. Estimated receipts exceeded actual receipts by \$111 in the Stroup Bequest Fund.

**FINDING NUMBER 2001-40436-003  
(Continued)**

For the year 2000, certified resources and appropriations in the Gasoline Tax Fund were \$74,445, however beginning fund balance plus actual receipts only totaled \$72,035. Estimated receipts exceeded actual receipts by \$2,410 in the Gasoline Tax Fund. Also for the year 2000, certified resources and appropriations in the Stroup Bequest Fund were \$389, however beginning fund balance plus actual receipts only totaled \$304. Estimated receipts exceeded actual receipts by \$85 in the Stroup Bequest. These deficiencies reduced available resources below appropriations in each of these funds. Reduced amended certificates should have been obtained and the appropriations reduced.

**FINDING NUMBER 2001-40436-004**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.40, provides that appropriation measures may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making the original appropriation. The Trustees made resolutions in January of each year authorizing the Clerk to make any appropriations amendments or supplements needed during the year. There was no Board action on any changes made to appropriations during the year. The Board of Trustees cannot delegate their duties in making appropriation amendments or supplemental appropriations to the Clerk. A Board resolution must be made authorizing each change made to the original appropriation resolution.

**FINDING NUMBER 2001-40436-005**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code 5705.41(D), provides that a subdivision or taxing unit shall not make any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision 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 encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the 'then and now' certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

**FINDING NUMBER 2001-40436-005**  
**(Continued)**

Of the expenditures tested, 43% did not contain either the prior certification or then and now certification of the fiscal officer.

The Clerk's certification is not only required by Ohio law, but is also a key control in the disbursement process. Without proper certification of funds, disbursements could be made without adequate current resources being available, or disbursements could be made in excess of authorized appropriations. Prior certification should be obtained for all disbursements. In instances when prior certifications are not practical, 'then and now' certifications should be made.

**FINDING NUMBER 2001-40436-006**

**Noncompliance Citation/Material Weakness**

Ohio Admin. Code, 117-7-01, provides the township chart of accounts detailing receipt and expenditure classifications to be used by townships. The proper classifications must be used to demonstrate legal compliance, financial accountability and to provide management with information for decision making. The following items were found to have been improperly posted:

1. The portion of the 2001 and 2000 permissive motor vehicle license tax receipts levied by Highland County was improperly posted to the receipt account for Motor Vehicle License Tax - Township Levied, and was improperly reported as Taxes. The county levied portion of permissive motor vehicle license tax should have been posted to the receipt account for Motor Vehicle License Tax - County Levied, and reported as Intergovernmental receipts. These receipts were reclassified on the accompanying financial statements.
2. The 2001 and 2000 road sealing grants from Highland County was improperly posted to the receipt account for Other and improperly reported as Other Revenue. These grant receipts should have been posted to the receipt account for Intergovernmental Receipts ( non-state and non-federal), and reported as Intergovernmental receipts. These receipts were reclassified on the accompanying financial statements.
3. The \$10,000 personal property exemptions were improperly posted to the receipt account for Real Estate Taxes during 2001 and to the receipt account for Personal Property Tax during 2000. In both years they were improperly reported as Taxes receipts. Personal property tax exemption receipts should be posted to the receipt accounts for Homestead, Rollback, and Personal Property Tax Exemptions, and reported as Intergovernmental receipts. The amount of these receipts was not considered large enough to require reclassification on the accompanying financial statements.
4. The 2001 trailer tax settlements were improperly posted to the receipt account for Tangible Personal Property Tax. The second half 2000 trailer tax settlement was improperly posted to the receipt account for Homestead and Rollback, and reported as Intergovernmental receipts. These receipts should have been posted to the receipt account for General Property Tax - Real Estate, and reported as Tax receipts. Reclassifications were not required because tangible personal property tax and general property tax are combined into Taxes on the financial statements.
5. The remaining fund balance in the Fire Levy Fund was paid to the newly formed Lynchburg Area Fire and Ambulance District. The payment was posted to the Capital Outlay appropriation account and reported as Capital Outlay. The expenditure was reclassified as Public Safety on the accompanying financial statements.

**FINDING NUMBER 2001-40436-006**  
**(Continued)**

Failure to accurately prepare and post the accounting records 1) reduces the accountability over Township funds, 2) reduces the Boards' ability to monitor financial activity; 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood that the Township's financial statements will be misstated. To determine the accuracy of Township ledgers and to ensure the Township is in compliance with the Ohio Administrative Code, periodic reviews should be performed by Township officials. Documents reviewed should be initialed by the reviewer indicating approval. Failure to properly monitor Township activity could result in overspending funds, negative fund balances, and unauthorized expenditures.

We recommend the Clerk accurately maintain the Township's accounting records in accordance with the uniform accounting system recommended by the Auditor of State in Ohio Administrative Code Chapter 117-7. In addition, all supporting documentation of receipts, expenditures, and bank reconciliations should be maintained. The Board of Trustees should require that the Clerk provide monthly statements of Township fund activity detailing receipts, disbursements, fund balances, and comparisons to budget so that Council can make informed decisions relating to Township finances. For added accountability, we recommend Council review all bank reconciliations for accuracy and ensure that all reconciling items are justified.

**FINDING NUMBER 2001-40436-007**

**Reportable Condition**

Minutes and accounting record printouts presented for audit were not bound. Minute records were typed on regular continuous feed computer paper. Minutes of a few meetings and some accounting printouts were not presented with the others, but were located when specifically requested. The minutes and accounting printouts should be bound to reduce the risk that they could be lost or destroyed. The Board of Trustees minutes are an important historical record of the Township. It is unlikely that the computer paper used can be preserved over time. Minutes should be recorded on paper containing a cotton blend that will last for many years. A minute book with pre-numbered pages should be purchased for this purpose. This was included in our audit of the 1998-1999 financial statements as a management letter comment.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2001 AND 2000**

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>
1999-40436-001	Ohio Rev. Code, Section 5705.36 - failure to obtain an amended certificate	no	Not Corrected - Reissued as finding 2001-40436-003
1999-40436-002	Ohio Rev. Code, Section 5705.41(D) - failure to obtain Clerk's prior certification for purchase commitments	no	Not Corrected - Reissued as finding 2001-40436-005
1999-40436-003	Ohio Admin. Code, 117-3-01 - failure to post to proper accounts	no	Not Corrected (OAC revised from 117-3-01 to 117-7-01, effective 7/1/00) Reissued as finding 2001-40436-006





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**DODSON TOWNSHIP**

**HIGHLAND 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  
APRIL 18, 2002**