



Mary Taylor, CPA
Auditor of State

DODSON TOWNSHIP
HIGHLAND COUNTY

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Mary Taylor, CPA

Auditor of State

Dodson Township
Highland County
1701 U.S. Route 50
Lynchburg, Ohio 45142

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 16, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Dodson Township
Highland County
1701 U.S. Route 50
Lynchburg, OH 45142

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, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
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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, 2005 and 2004 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, 2005 and 2004, 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 Dodson Township, Highland County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2007, 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

April 16, 2007

**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, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$9,025	\$27,106	\$0	\$36,131
Intergovernmental	26,347	93,141		119,488
Earnings on Investments	1,356	2,886	61	4,303
Other Revenue	119			119
	<u>36,847</u>	<u>123,133</u>	<u>61</u>	<u>160,041</u>
Total Cash Receipts				
	<u>36,847</u>	<u>123,133</u>	<u>61</u>	<u>160,041</u>
Cash Disbursements:				
Current:				
General Government	19,705			19,705
Public Works		70,769		70,769
Health	2,798	5,549		8,347
	<u>22,503</u>	<u>76,318</u>	<u>0</u>	<u>98,821</u>
Total Cash Disbursements				
	<u>22,503</u>	<u>76,318</u>	<u>0</u>	<u>98,821</u>
Total Receipts Over/(Under) Disbursements	<u>14,344</u>	<u>46,815</u>	<u>61</u>	<u>61,220</u>
Fund Cash Balances, January 1	<u>22,862</u>	<u>154,014</u>	<u>5,371</u>	<u>182,247</u>
Fund Cash Balances, December 31	<u><u>\$37,206</u></u>	<u><u>\$200,829</u></u>	<u><u>\$5,432</u></u>	<u><u>\$243,467</u></u>

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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$9,140	\$27,135	\$0	\$36,275
Intergovernmental	16,488	83,602		100,090
Earnings on Investments	80			80
Other Revenue	249			249
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	25,957	110,737	0	136,694
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
General Government	29,726			29,726
Public Works	1,884	71,986		73,870
Health	2,771	8,454		11,225
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	34,381	80,440	0	114,821
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(8,424)	30,297	0	21,873
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):				
Transfers-In		4,136		4,136
Transfers-Out	(4,136)			(4,136)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(4,136)	4,136	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(12,560)	34,433	0	21,873
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	35,422	119,581	5,371	160,374
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$22,862</u>	<u>\$154,014</u>	<u>\$5,371</u>	<u>\$182,247</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$160</u>	<u>\$5,918</u>	<u></u>	<u>\$6,078</u>

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

**DODSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Dodson Township, Highland County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and cemetery maintenance.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and 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 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:

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

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

**DODSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge Fund - This fund receives property tax money to pay for constructing, maintaining, and repairing Township roads.

Cemetery Levy Fund - This fund receives property tax money to pay for providing cemetery maintenance.

Permissive Motor Vehicle License Fund - This fund receives proceeds from the permissive motor vehicle license taxes levied by the Township and Highland County to pay for maintaining and repairing Township roads.

3. Fiduciary Funds

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 Stroup Non-expendable Trust 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 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.

A summary of 2005 and 2004 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.

**DODSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

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 deposits and investments at December 31 was as follows:

	2005	2004
Demand deposits	\$136,999	\$98,989
Certificate of Deposit	0	25,001
Total Deposits	136,999	123,990
Perspective 11 Annuity		
Guaranteed one year fixed annuities	106,468	58,257
Total deposits and investments	\$243,467	\$182,247

The Township invested in annuities which are not permitted by Ohio Law. Additionally the Township did not approve and file an investment policy prior to making the aforementioned investments. The Fiscal Officer did not attend the required investment training required by Ohio Law.

A. Deposits

Deposits up to \$100,000 are insured by the Federal Depository Insurance Corporation. The depository provides pooled securities for deposits over and above F.D.I.C. coverage.

B. Investments

The Perspective 11 Fixed Annuities are invested with Jackson National Life Insurance Company, issued through Fifth Third Securities. Collateral is provided through the general assets of the company.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,067	\$36,847	\$13,780
Special Revenue	94,986	123,133	28,147
Fiduciary	212	61	(151)
Total	\$118,265	\$160,041	\$41,776

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,281	\$22,503	\$21,778
Special Revenue	198,736	76,318	122,418
Fiduciary	212	0	212
Total	\$243,229	\$98,821	\$144,408

**DODSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,141	\$25,957	\$816
Special Revenue	94,227	114,873	20,646
Fiduciary	206	0	(206)
Total	\$119,574	\$140,830	\$21,256

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,774	\$38,677	\$22,097
Special Revenue	153,242	86,358	66,884
Fiduciary	206	0	206
Total	\$214,222	\$125,035	\$89,187

Contrary to Ohio law, the Township did not obtain prior certification of the fiscal officer for all purchases.

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**DODSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. 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

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA'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.

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. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

**DODSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. 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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$3,376. 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.

**DODSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. RISK MANAGEMENT (Continued)

<u>Township Contributions to OTARMA</u>	
2003	\$1,626
2004	\$1,684
2005	\$1,688

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must 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 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 was incurred or reported prior to the withdrawal.

7. COMPLIANCE

During 2004 and 2005, the Township posted restricted monies to incorrect funds. The Township has corrected the accompanying financial statements and Township ledgers, where applicable.

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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*

Dodson Township
Highland County
1701 U.S. Route 50
Lynchburg, OH 45142

To the Board of Trustees:

We have audited the financial statements of Dodson Township, Highland County, Ohio (the Township), as of and for the year ended December 31, 2005 and 2004, and have issued our report thereon dated April 16, 2007, 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 noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 through 2005-006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. 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 material weaknesses. However, we do not believe the reportable conditions described above to be material weaknesses. In a separate letter to the Township's management dated April 16, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* that are described in the accompanying schedule of findings as items 2005-001 through 2005-006. Also, in a separate letter to the Township's management dated April 16, 2007, we reported other matters related to noncompliance we deemed immaterial.

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



Mary Taylor, CPA
Auditor of State

April 16, 2007

**DODSON TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Sections 135.14 and 133.03(A)(1), prescribes the eligible investments in which a subdivision is permitted to invest interim monies. Ohio Rev. Code, Section 135.14 also provides that investments cannot be made unless a written investment policy is on file with the Auditor of State. Additionally, **Ohio Rev. Code, Section 135.22**, requires that the Fiscal Officer complete annual continuing investment training education programs provided by the Treasurer of State if the township has invested public funds in other than those prescribed by Ohio Rev. Code Section 135.14.

During 2005 and 2004 the Township invested from \$58,255 to \$106,486 in Jackson National Life Annuities through Fifth Third Securities. The Township has not adopted or filed an investment policy, nor did the Fiscal Officer attend the required investment training. As such, the Township does not have the authority to invest in annuities.

The Township was notified in the audit report for the 2002 and 2003 financial statements that annuities were not an allowable investment. However, in October 2005, the Township invested an additional \$51,055 in annuities.

Proper training would inform the Officer about the legality of investments.

We recommend that the Township Officials review the Ohio Revised Code to ensure that any investments they plan to make are allowable. If the Township decides to invest in items other than CDs and STAR OHIO, the Township Trustees should develop an investment policy as required by Ohio Rev. Code Section 135.15 and Fiscal Officer should attend the proper training required for investments, as required by Ohio Rev. Code Section 135.22.

Officials' Response:

We received no response from Officials to this finding.

FINDING NUMBER 2005-002

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or giving any order involving the expenditure 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 encumbrances. This certificate need be signed only by the subdivision's 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2005-002
(Continued)**

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the availability of funds was not certified for 95% of the 2005 and 45% of the 2004 transactions tested. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

We received no response from Officials to this finding.

FINDING NUMBER 2005-003

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Sections 4504.05 and 4504.18, requires that county and township levied permissive motor vehicle license tax shall be used for construction, reconstruction, improvement, maintenance, and repair of township roads, for purchasing, erecting, and maintaining traffic signs, for purchasing road machinery and equipment, and planning, constructing, and maintaining suitable buildings to house road equipment.

Ohio Rev. Code, Section 5705.10(D), in part, provides that all that all revenue from a source other than the general property tax and which the law prescribes shall be used for a particular purpose shall be paid into a special fund for such purpose.

Permissive motor vehicle license tax of \$1,136 was improperly credited to the Gasoline Tax Fund and \$7,834 was improperly credited to the Motor Vehicle License Tax Fund in 2005. Permissive motor vehicle license tax of \$6,461 was improperly credited to the Motor Vehicle License Tax Fund in 2004.

Adjustments were required to proper credit the receipts to the Permissive Motor Vehicle License Tax Fund. The Township has posted the adjustments, and they are reflected in the accompanying financial statements.

The Fiscal Officer should take due care in performing her duties and review her postings to the accounting system to assure that receipts were posted to the proper fund.

Officials' Response:

We received no response from Officials to this finding.

FINDING NUMBER 2005-004

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 5705.06(F), authorizes a township to levy a tax within the ten-mill limitation for the construction, reconstruction, resurfacing, and repair of roads. The Township has assessed a .70 mill levy for this purpose. **Ohio Rev. Code, Section 5705.10(C)**, provides that all that all revenue from a special levy shall be credited to a special fund for the purpose for which the levy was made. The Township has established the Road and Bridge Fund for this levy. The first and second half 2005 homestead and rollback totaling \$1,170 and the first and second half 2004 homestead and rollback totaling \$1,146 due to the Road and Bridge Fund were improperly credited to the General Fund.

The first half 2004 real estate tax of \$5,633 due to the Road and Bridge Fund was improperly credited to the Gasoline Tax Fund.

The annual payment to Trautwein Cemetery Association for cemetery maintenance was improperly charged to the Road and Bridge Fund.

The Fiscal Officer should review the Ohio Township Manual and UAN chart of accounts for the proper funds and account codes to assure that receipts and expenditures are properly posted.

Officials' Response:

We received no response from Officials to this finding.

FINDING NUMBER 2005-005

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 5705.07, provides that the taxing authority of any subdivision may make tax levies authorized in excess of the ten-mill limitation by vote of the people. A .5 mill levy was passed for maintaining and operating township cemeteries.

Ohio Rev. Code, Section 5705.10(C), provides that all that all revenue from a special levy shall be credited to a special fund for the purpose for which the levy was made. The Township has established the Cemetery Levy Fund for this levy.

The first and second half 2005 homestead and rollback totaling \$812 and the first and second half 2004 homestead and rollback totaling \$796 due to the Cemetery Levy Fund was improperly credited to the General Fund.

The first half 2004 real estate tax of \$3,913 due to the Cemetery Levy Fund was improperly credited to the Gasoline Tax Fund.

Adjustments were required to correct the posting errors. The Township has posted the adjustment, and it is reflected in the accompanying financial statements. The Fiscal Officer should review the Ohio Township Manual and UAN chart of accounts for the proper funds and account codes to assure that receipts are properly posted.

Officials' Response:

We received no response from Officials to this finding.

FINDING NUMBER 2005-006

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Chapter 5735, provides for levies of motor fuel excise tax to be used for road and highway purposes. **Ohio Rev. Code, Section 5705.10(D)**, provides, in part, that all revenue from a source other than the general property tax and which the law prescribes shall be used for a particular purpose shall be paid into a special fund for such purpose.

Gasoline tax of \$2,668 was improperly credited to the General Fund during 2005. Expenditures totaling \$1,400 in 2005 and \$7,350 in 2004 for cemetery mowing were improperly paid from the Gasoline Tax Fund.

Adjustments were required to correct the posting errors. The Township has posted the adjustments, and they are reflected in the accompanying financial statements.

The Fiscal Officer should review the Ohio Township Manual and UAN chart of accounts for the proper funds and account codes to assure that receipts and expenditures are properly posted.

Officials' Response:

We received no response from Officials to this finding.

**DODSON TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Revised Code 5705.41(D), The availability of funds was not certified for certain commitments.	No	Not Corrected: Repeat as Finding Number 2005-002
2003-002	Revised Code 135.14 and 133.03 (A)(1), investment in annuities	No	Not Corrected: Repeat as Finding Number 2005-001



Mary Taylor, CPA
Auditor of State

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
MAY 15, 2007**