



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

DODSON TOWNSHIP  
HIGHLAND COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2011 and 2010  
Fiscal Years Audited Under GAGAS: 2011 and 2010





# Dave Yost • Auditor of State

Board of Trustees  
Dodson Township  
7051 Spilker Road  
Lynchburg, Ohio 45142

We have reviewed the *Independent Auditor's Report* of Dodson Township, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Dodson Township is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 6, 2012

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Dodson Township  
Highland County  
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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Dodson Township  
Highland County  
7051 Spilker Road  
Lynchburg, Ohio 45142

To the Board of Trustees:

We have audited the accompanying financial statements of Dodson Township, Highland County, (the Township) as of and for the years ended December 31, 2011 and 2010. 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. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 of Dodson Township, Highland County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 9, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012 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.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
August 24, 2012

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

|   | <u>Governmental Fund Types</u> |                            |                  | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Permanent</u> |   |
| <b>Cash Receipts:</b>                   |                                |                            |                  |   |
| Property Taxes                          | \$ 9,982                       | \$ 19,648                  | \$ -             | \$ 29,630                               |
| Intergovernmental                       | 53,377                         | 113,361                    | -                | 166,738                                 |
| Earnings on Investments                 | 163                            | 686                        | -                | 849                                     |
| Miscellaneous                           | 201                            | 101                        | -                | 302                                     |
|   | <u>63,723</u>                  | <u>133,796</u>             | <u>-</u>         | <u>197,519</u>                          |
| <b>Total Cash Receipts</b>              |                                |                            |                  |   |
|   | <u>63,723</u>                  | <u>133,796</u>             | <u>-</u>         | <u>197,519</u>                          |
| <b>Cash Disbursements:</b>              |                                |                            |                  |   |
| Current:                                |                                |                            |                  |   |
| General Government                      | 22,233                         | -                          | -                | 22,233                                  |
| Public Works                            | -                              | 86,371                     | -                | 86,371                                  |
| Health                                  | 3,370                          | 8,910                      | -                | 12,280                                  |
| Debt Service:                           |                                |                            |                  |   |
| Redemption of Principal                 | -                              | 11,236                     | -                | 11,236                                  |
| Interest and Fiscal Charges             | -                              | 3,424                      | -                | 3,424                                   |
|   | <u>25,603</u>                  | <u>109,941</u>             | <u>-</u>         | <u>135,544</u>                          |
| <b>Total Cash Disbursements</b>         |                                |                            |                  |   |
|   | <u>25,603</u>                  | <u>109,941</u>             | <u>-</u>         | <u>135,544</u>                          |
| <b>Net Change in Fund Cash Balances</b> | 38,120                         | 23,855                     | -                | 61,975                                  |
| <b>Fund Cash Balances, January 1</b>    | <u>14,641</u>                  | <u>232,586</u>             | <u>5,669</u>     | <u>252,896</u>                          |
| <b>Fund Cash Balances, December 31</b>  |                                |                            |                  |   |
| Nonspendable                            | -                              | -                          | 5,000            | 5,000                                   |
| Restricted                              | -                              | 256,441                    | 669              | 257,110                                 |
| Unassigned (Deficit)                    | 52,761                         | -                          | -                | 52,761                                  |
|   | <u>52,761</u>                  | <u>256,441</u>             | <u>5,669</u>     | <u>314,871</u>                          |
| <b>Fund Cash Balances, December 31</b>  | <u>\$ 52,761</u>               | <u>\$ 256,441</u>          | <u>\$ 5,669</u>  | <u>\$ 314,871</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 FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

|   | <u>Governmental Fund Types</u> |                            |                  | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Permanent</u> |   |
| <b>Cash Receipts:</b>                                 |                                |                            |                  |   |
| Property Taxes  | \$ 8,346                       | \$ 18,942                  | \$ -             | \$ 27,288                               |
| Intergovernmental                                     | 15,850                         | 109,273                    | -                | 125,123                                 |
| Earnings on Investments                               | 106                            | 255                        | -                | 361                                     |
| Miscellaneous   | -                              | 6,432                      | -                | 6,432                                   |
|   | <u>24,302</u>                  | <u>134,902</u>             | <u>-</u>         | <u>159,204</u>                          |
| <b>Total Cash Receipts</b>                            |                                |                            |                  |   |
|   | <u>24,302</u>                  | <u>134,902</u>             | <u>-</u>         | <u>159,204</u>                          |
| <b>Cash Disbursements:</b>                            |                                |                            |                  |   |
| Current:  |                                |                            |                  |   |
| General Government                                    | 19,544                         | -                          | -                | 19,544                                  |
| Public Works  | -                              | 131,678                    | -                | 131,678                                 |
| Health  | 2,044                          | 8,407                      | -                | 10,451                                  |
| Capital Outlay  | -                              | 33,229                     | -                | 33,229                                  |
| Debt Service:   |                                |                            |                  |   |
| Redemption of Principal                               | -                              | 28,570                     | -                | 28,570                                  |
| Interest and Fiscal Charges                           | -                              | 1,130                      | -                | 1,130                                   |
|   | <u>21,588</u>                  | <u>203,014</u>             | <u>-</u>         | <u>224,602</u>                          |
| <b>Total Cash Disbursements</b>                       |                                |                            |                  |   |
|   | <u>21,588</u>                  | <u>203,014</u>             | <u>-</u>         | <u>224,602</u>                          |
| Excess of Receipts Over/(Under) Disbursements         | 2,714                          | (68,112)                   | -                | (65,398)                                |
| <b>Other Financing Receipts (Disbursements):</b>      |                                |                            |                  |   |
| Sale of Fixed Assets                                  | 4,000                          | -                          | -                | 4,000                                   |
| Note Proceeds   | -                              | 52,687                     | -                | 52,687                                  |
|   | <u>4,000</u>                   | <u>52,687</u>              | <u>-</u>         | <u>56,687</u>                           |
| <b>Total Other Financing Receipts (Disbursements)</b> |                                |                            |                  |   |
|   | <u>4,000</u>                   | <u>52,687</u>              | <u>-</u>         | <u>56,687</u>                           |
| Net Change in Fund Cash Balances                      | 6,714                          | (15,425)                   | -                | (8,711)                                 |
| Fund Cash Balances, January 1                         | 7,927                          | 248,011                    | 5,669            | 261,607                                 |
| <b>Fund Cash Balances, December 31</b>                | <u>\$ 14,641</u>               | <u>\$ 232,586</u>          | <u>\$ 5,669</u>  | <u>\$ 252,896</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, 2011 AND 2010**

**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 Dodson Township, Highland County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road maintenance and cemetery maintenance.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The 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 Deposits**

The township deposits all available funds in anon-interest earning checking account at a local commercial bank. All deposits are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

Gasoline Tax Fund – This fund receives gasoline tax money to pay constructing, maintaining, and repairing township roads.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Permanent Funds**

These funds account for assets under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The township had the following significant permanent fund:

Stroup Bequest Fund – This fund was bequeathed to the Township and receives interest earned on the nonexpendable trust principal of \$5,000. These earnings are to be used 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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant and Equipment**

The Township records disbursements for acquisition of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Equity in Pooled Cash**

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

|                 |           |           |
|-----------------|-----------|-----------|
|                 | 2011      | 2010      |
| Demand deposits | \$314,871 | \$252,896 |

**Deposits:** Deposits are 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 year ending December 31, 2011 and 2010 as follows:

| 2011 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$ 20,270            | \$ 63,723          | \$ 43,453 |
| Special Revenue                   | 121,185              | 133,796            | 12,611    |
| Permanent                         | -                    | -                  | -         |
| Total                             | \$ 141,455           | \$ 197,519         | \$ 56,064 |

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |            |
|---|----------------------------|---------------------------|------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance   |
| General   | \$ 28,038                  | \$ 25,603                 | \$ 2,435   |
| Special Revenue                                       | 246,450                    | 109,941                   | 136,509    |
| Permanent   | 1,000                      | -                         | 1,000      |
| Total   | \$ 275,488                 | \$ 135,544                | \$ 139,944 |

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity (Continued)**

| 2010 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$ 20,047            | \$ 28,302          | \$ 8,255  |
| Special Revenue                   | 182,377              | 187,589            | 5,212     |
| Permanent                         | -                    | -                  | -         |
| Total                             | \$ 202,424           | \$ 215,891         | \$ 13,467 |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |            |
|---|----------------------------|---------------------------|------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance   |
| General   | \$ 28,188                  | \$ 21,588                 | \$ 6,600   |
| Special Revenue                                       | 308,849                    | 203,014                   | 105,835    |
| Permanent   | 250                        | -                         | 250        |
| Total   | \$ 337,287                 | \$ 224,602                | \$ 112,685 |

**4. Property Tax**

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

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Lease and Debt**

Debt outstanding at December 31, 2011 was as follows:

|                                | Principal | Interest Rate |
|--------------------------------|-----------|---------------|
| Home Builders Association Note | \$ 16,025 | 5.95%         |
| Home Builders Association Note | 42,981    | 4.78%         |
|                                | \$ 59,006 |               |

In 2007, the Township leased to purchase a tractor and boom mower. This lease was paid in full during 2010.

The Township obtained a ten year note during 2009 to finance the purchase of land for equipment storage in the amount of \$19,000. This note is payable in monthly installments.

In 2010, the Township issued a note to purchase the tractor and boom mower they had previously been leasing, as well as a new front end loader. The total note issuance was \$52,687. This note is payable in monthly installments.

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

|                          | Home Builders<br>Assoc. Notes |
|--------------------------|-------------------------------|
| Year Ending December 31: |                               |
| 2012                     | \$ 14,660                     |
| 2013                     | 14,660                        |
| 2014                     | 17,235                        |
| 2015                     | 16,684                        |
| 2016                     | 5,152                         |
| 2017 through 2019        | 15,162                        |
| Total                    | \$ 83,553                     |

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Risk Management**

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

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

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

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

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

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$1,814.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Risk Management (Continued)**

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

| <u>Township Contributions to OTARMA</u> |    |       |
|---|----|-------|
| 2011                                    | \$ | 2,452 |
| 2010                                    |    | 2,294 |
| 2009                                    |    | 1,990 |

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

**8. Compliance**

Contrary to Ohio Revised Code Section 5705.10, the Township did not properly distribute revenue derived from tax levies.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**9. Change in Accounting Principle and Fund Balances**

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the fund types are presented below for December 31, 2011:

| Fund Balances  | General Fund | Special Revenue<br>Funds | Permanent Fund | Total Governmental<br>Funds |
|--|--------------|--------------------------|----------------|-----------------------------|
| <b>Nonspendable</b>  |              |                          |                |                             |
| Trust (Legally or contractually<br>required to be maintained intact) | \$ -         | \$ -                     | \$ 5,000       | \$ 5,000                    |
| <b>Restricted for</b>  |              |                          |                |                             |
| Road and Bridge Maintenance  | -            | 244,303                  | -              | 244,303                     |
| Cemetery Operations  | -            | 12,138                   | 669            | 12,807                      |
| Total Restricted   | -            | 256,441                  | 669            | 257,110                     |
| <b>Unassigned (Deficit)</b>  | 52,761       | -                        |                | 52,761                      |
| Total Fund Balances  | \$ 52,761    | \$ 256,441               | \$ 6,338       | \$ 314,871                  |



## Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Dodson Township  
Highland County  
7051 Spilker Road  
Lynchburg, Ohio 45142

We have audited the financial statements of Dodson Township, Highland County, (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 24, 2012 wherein we noted that the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and that the Township implemented Governmental Accounting Standards Board Statement No. 54 during 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 and 2011-002 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 24, 2012.

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
August 24, 2012

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**FINDING NUMBER 2011-001**

**Material Weakness**

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

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. Misstatements were identified in the following areas:

- Property Tax revenues,
- Intergovernmental revenues,
- Principal
- Interest
- Note proceeds

All of the above noted adjustments have been posted to the financial statements and to the Townships' UAN accounting system.

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

**Client Response:**

The Client did not provide a response for the above finding.

**FINDING NUMBER 2011-002**

**Material Non-Compliance/Material Weakness**

Ohio Revised Code Section 5705.10(C) requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. Homestead and rollback receipts were not distributed to the proper funds shown on the tax apportionment sheets. Instead, the majority was credited to the General Fund. The amount credited to the General Fund that was due to the Road and Bridge Fund and the Cemetery Levy Fund are as follows:

|                      | <b>2011</b> |
|----------------------|-------------|
| Road and Bridge Fund | \$ 918      |
| Cemetery Levy Fund   | 559         |
| Total                | 1,478       |

Failure to properly post transactions resulted in inaccurate fund balances and financial statements. The Township made adjustments to the accounting records and accompanying financial statements to correct the entries. The officials should review the chart of accounts in the Ohio Township Handbook to assure that items are being posted to the proper funds. Also, as noted in Finding 2011-001, the Township should establish control procedures for the review of the financials activity posted to the accounting records and financial statements.

**Client Response:**

The Client did not provide a response for the above finding.

**DODSON TOWNSHIP  
HIGHLAND COUNTY  
DECEMBER 31, 2011 AND 2010**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

| <b>Finding Number</b> | <b>Finding Summary</b>   | <b>Fully Corrected?</b> | <b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b> |
|-----------------------|--|-------------------------|--|
| 2009-001              | Material Weakness for adjustments to the financial statements  | No                      | Reissued as 2011-001   |
| 2009-002              | Material Weakness/Noncompliance<br>ORC Section 5705.10(C)<br>Crediting revenue from a special levy to the fund for which the levy was made | No                      | Reissued as 2011-002   |
| 2009-003              | Significant Deficiency/Noncompliance<br>ORC Section 5705.36(A)(4)<br>Appropriations in excess of actual resources                          | Yes                     |  |
| 2009-004              | ORC Section 5705.39<br>Appropriations in excess of estimated resources   | Yes                     |  |
| 2009-005              | ORC Section 5705.41(B)<br>Expenditures in excess of appropriations   | Yes                     |  |

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# Dave Yost • 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  
DECEMBER 18, 2012**