



Dave Yost • Auditor of State



DINSMORE TOWNSHIP  
SHELBY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Dinsmore Township  
Shelby County  
P.O. Box 316  
Botkins, Ohio 45306

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Dinsmore Township, Shelby County, (the Township) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Dinsmore Township, Shelby County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 6, 2017

**DINSMORE TOWNSHIP  
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

|  | <u>General</u>  | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|-----------------|----------------------------|-----------------------------|---|
| <b>Cash Receipts:</b>                            |                 |                            |                             |   |
| Property and Other Local Taxes                   | \$22,120        | \$148,004                  |                             | \$170,124                               |
| Licenses, Permits and Fees                       | 2,140           |                            |                             | 2,140                                   |
| Intergovernmental                                | 26,885          | 114,477                    | \$36,180                    | 177,542                                 |
| Earnings on Investments                          | 15              | 11                         |                             | 26                                      |
| Miscellaneous                                    | 678             | 3,432                      |                             | 4,110                                   |
| Total Cash Receipts                              | <u>51,838</u>   | <u>265,924</u>             | <u>36,180</u>               | <u>353,942</u>                          |
| <b>Cash Disbursements:</b>                       |                 |                            |                             |   |
| <b>Current:</b>                                  |                 |                            |                             |   |
| General Government                               | 37,722          | 40,619                     |                             | 78,341                                  |
| Public Safety                                    | 963             | 18,566                     |                             | 19,529                                  |
| Public Works                                     | 20,246          | 31,901                     |                             | 52,147                                  |
| Health   | 12,457          | 4,684                      |                             | 17,141                                  |
| Capital Outlay                                   | 13,499          | 52,386                     | 36,180                      | 102,065                                 |
| Total Cash Disbursements                         | <u>84,887</u>   | <u>148,156</u>             | <u>36,180</u>               | <u>269,223</u>                          |
| Excess of Receipts Over (Under) Disbursements    | <u>(33,049)</u> | <u>117,768</u>             |                             | <u>84,719</u>                           |
| <b>Other Financing Receipts (Disbursements):</b> |                 |                            |                             |   |
| Transfers In                                     |                 | 2,000                      |                             | 2,000                                   |
| Transfers Out                                    | (2,000)         |                            |                             | (2,000)                                 |
| Total Other Financing Receipts (Disbursements)   | <u>(2,000)</u>  | <u>2,000</u>               |                             |   |
| Net Change in Fund Cash Balances                 | (35,049)        | 119,768                    |                             | 84,719                                  |
| Fund Cash Balances, January 1                    | <u>88,905</u>   | <u>103,819</u>             |                             | <u>192,724</u>                          |
| <b>Fund Cash Balances, December 31:</b>          |                 |                            |                             |   |
| Restricted                                       |                 | 151,166                    |                             | 151,166                                 |
| Committed  |                 | 72,421                     |                             | 72,421                                  |
| Assigned   | 53,856          |                            |                             | 53,856                                  |
| Fund Cash Balances, December 31                  | <u>\$53,856</u> | <u>\$223,587</u>           | <u>\$0</u>                  | <u>\$277,443</u>                        |

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

**DINSMORE TOWNSHIP  
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|  | <b>General</b>  | <b>Special<br/>Revenue</b> | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|-----------------|----------------------------|---|
| <b>Cash Receipts:</b>                    |                 |                            |   |
| Property and Other Local Taxes           | \$18,539        | \$116,916                  | \$135,455                               |
| Licenses, Permits and Fees               | 2,419           |                            | 2,419                                   |
| Intergovernmental                        | 22,562          | 113,012                    | 135,574                                 |
| Earnings on Investments                  | 20              | 9                          | 29                                      |
| Miscellaneous                            | 2,530           | 3,000                      | 5,530                                   |
| Total Cash Receipts                      | <u>46,070</u>   | <u>232,937</u>             | <u>279,007</u>                          |
| <b>Cash Disbursements:</b>               |                 |                            |   |
| <b>Current:</b>                          |                 |                            |   |
| General Government                       | 48,617          | 35,481                     | 84,098                                  |
| Public Safety                            | 645             | 18,299                     | 18,944                                  |
| Public Works                             | 19,070          | 43,020                     | 62,090                                  |
| Health                                   | 10,169          | 4,735                      | 14,904                                  |
| Capital Outlay                           | 1,842           | 170,832                    | 172,674                                 |
| Total Cash Disbursements                 | <u>80,343</u>   | <u>272,367</u>             | <u>352,710</u>                          |
| Excess of Receipts (Under) Disbursements | <u>(34,273)</u> | <u>(39,430)</u>            | <u>(73,703)</u>                         |
| Fund Cash Balances, January 1            | <u>123,178</u>  | <u>143,249</u>             | <u>266,427</u>                          |
| <b>Fund Cash Balances, December 31:</b>  |                 |                            |   |
| Restricted                               |                 | 75,427                     | 75,427                                  |
| Committed                                |                 | 28,392                     | 28,392                                  |
| Assigned                                 | 88,905          |                            | 88,905                                  |
| Fund Cash Balances, December 31          | <u>\$88,905</u> | <u>\$103,819</u>           | <u>\$192,724</u>                        |

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



**DINSMORE TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 Dinsmore Township, Shelby County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Botkins to provide fire services and Anna Rescue Squad, Inc., to provide ambulance services.

The Township participates in a public entity risk pool. Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members. Member Townships pay annual contributions to fund OTARMA. Note 6 to the financial statements provide additional information for this entity.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits**

The Township's cash consisted of demand deposits during the audit period.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**DINSMORE TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**Motor Vehicle License Tax Fund** – This fund receives auto registration money for maintaining and repairing Township roads.

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

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

**Cemetery Fund** – This fund receives money from the sale of cemetery lots and opening/closing of grave fees to pay for burials and maintaining the Township's cemeteries.

**Special Levy: Fire Fund** – This fund receives money from a special levy to pay for fire protection for the Township. The fire protection is provided by the Village of Botkins.

**Special Levy: Rescue Fund** – This fund receives money from a special levy to pay for ambulance services for the Township. The services are provided by Anna Rescue Squad Inc.

**3. Capital Projects Fund**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

**Issue I Fund** – The Township received a grant from the State of Ohio (Ohio Public Works Commission) for paving of Township roads.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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 re-appropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**DINSMORE TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**F. Fund Balance**

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. Non-spendable**

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

**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 acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**DINSMORE TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS**

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

|                 | <b>2015</b> | <b>2014</b> |
|-----------------|-------------|-------------|
| Demand deposits | \$277,443   | \$192,724   |

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation (FDIC). Deposits in excess of FDIC coverage are collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

| <b>2015 Budgeted vs. Actual Receipts</b> |                          |                        |                 |
|--|--------------------------|------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted Receipts</b> | <b>Actual Receipts</b> | <b>Variance</b> |
| General                                  | \$30,901                 | \$51,838               | \$20,937        |
| Special Revenue                          | 267,343                  | 267,924                | 581             |
| Capital Projects                         | 36,180                   | 36,180                 |                 |
| Total                                    | \$334,424                | \$355,942              | \$21,518        |

| <b>2015 Budgeted vs. Actual Budgetary Basis Expenditures</b> |                                |                               |                 |
|--|--------------------------------|-------------------------------|-----------------|
| <b>Fund Type</b>   | <b>Appropriation Authority</b> | <b>Budgetary Expenditures</b> | <b>Variance</b> |
| General  | \$119,806                      | \$86,887                      | \$32,919        |
| Special Revenue  | 371,161                        | 148,156                       | 223,005         |
| Capital Project  | 36,180                         | 36,180                        |                 |
| Total  | \$527,147                      | \$271,223                     | \$255,924       |

| <b>2014 Budgeted vs. Actual Receipts</b> |                          |                        |                 |
|--|--------------------------|------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted Receipts</b> | <b>Actual Receipts</b> | <b>Variance</b> |
| General                                  | \$34,105                 | \$46,070               | \$11,965        |
| Special Revenue                          | 238,985                  | 232,937                | (6,048)         |
| Total                                    | \$273,090                | \$279,007              | \$5,917         |

| <b>2014 Budgeted vs. Actual Budgetary Basis Expenditures</b> |                                |                               |                 |
|--|--------------------------------|-------------------------------|-----------------|
| <b>Fund Type</b>   | <b>Appropriation Authority</b> | <b>Budgetary Expenditures</b> | <b>Variance</b> |
| General  | \$157,283                      | \$80,343                      | \$76,940        |
| Special Revenue  | 382,234                        | 272,367                       | 109,867         |
| Total  | \$539,517                      | \$352,710                     | \$186,807       |

**DINSMORE TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**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 the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**A. Casualty and Property Coverage**

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 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.

**DINSMORE TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**B. 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, 2015 and 2014 (the latest information available):

|              | <b>2015</b>  | <b>2014</b>  |
|--------------|--------------|--------------|
| Assets       | \$37,313,311 | \$35,970,263 |
| Liabilities  | 8,418,518    | 8,912,432    |
| Net Position | \$28,894,793 | \$27,057,831 |

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

| <b>Contributions to OTARMA</b> |             |
|--------------------------------|-------------|
| <b>2015</b>                    | <b>2014</b> |
| \$4,686                        | \$4,659     |

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.

**7. SUBSEQUENT EVENTS**

On April 25, 2016, the Trustees approved the bid from Barrett Paving Material to resurface the roads in 2016. The bid amount was for \$176,546.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Dinsmore Township  
Shelby County  
P.O. Box 316  
Botkins, Ohio 45306

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Dinsmore Township, Shelby County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated January 6, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

***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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 6, 2017



**DINSMORE TOWNSHIP  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2015-001**

**Material Weakness – Financial Statement Errors**

The Township prepared its annual financial statements in accordance with the accounting practices the Auditor of State prescribes or permits. The Township's 2014 and 2015 annual financial statements were adjusted for the following errors related to fund balance reporting:

- Governmental Accounting Standards Board (GASB) Statement 54, paragraph 16 (GASB Codification 1800.176) states, in part, that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The Township failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent year in the amount of \$53,856 on the 2015 financial statements and \$88,905 on the 2014 financial statements. These amounts should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.
- GASB Statement 54, paragraph 10 (GASB Codification 1800.170) states, in part, that amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority should be reported as committed fund balance. Auditor of State Bulletin 2011-004 identifies that because the funding for the Road and Bridge fund is derived from inside millage, the source of the constraint is considered to be imposed by the Trustees and not externally restricted by the voters and therefore, should be reported as committed fund balance. The township failed to properly classify the 2015 and 2014 fund balances of \$72,421 and \$28,392 respectively, at year end in the Road and Bridge Fund. The amounts should have been classified as committed rather than restricted.
- **Auditor of State bulletin 2000-008** dealing with pass through grant funding states, in part, that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Township was part of a multi-project grant involving Issue 1 funding to repave roads in various townships within Shelby County. Another township was fiscal agent for the project and shared a spreadsheet for the costs of the project and each township's allocation of the grant funding.

The Issue I funding in 2015 for the amount of \$36,180 was not included in the 2015 financial statements. An adjustment was made to include the Intergovernmental receipt (revenue) of the grant and the capital outlay (expense) of the full amount under the Capital Projects Fund in 2015.

Adjustments and reclassifications to correct the errors identified above are reflected in the accompanying financial statements. Additionally, the following insignificant revenue reclassifications that were identified that were not adjusted or reflected in the accompanying financial statements.

- In 2014, the Township received reimbursements from the Ohio Bureau of Workers' Compensation in total of \$606. The Township recorded these receipts as intergovernmental revenue, but they should have been posted as Miscellaneous Revenue.

**FINDING NUMBER 2015-001**  
**(Continued)**

- In 2015, the Township received intergovernmental funding for Motor Vehicle License Taxes for \$974. The Township improperly posted this receipt into the Gasoline Tax Fund.

To improve financial reporting, the Township should implement procedures to review the requirements of GASB Statement No. 54 and Auditor of State Bulletin 2011-004 in order to properly report fund balances at year end. The Township should also consult Auditor of State Bulletin 2000-008 when dealing with pass-through funding and review its financial statements to ensure all money that was spent directly, or on behalf of the township is recorded. Failure to do so could result in reporting errors and filing materially misstated financial statements which inhibits users from making sound financial decisions.

**Officials' Response:** We did not receive a response from Officials to this finding.



# Dave Yost • Auditor of State

**DINSMORE TOWNSHIP**

**SHELBY 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  
JANUARY 24, 2017**