



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

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of Dodson Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

March 24, 2000



**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trusts</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Local Taxes	\$6,972	\$28,008	\$0	\$0	\$34,980
Intergovernmental	41,733	64,910	33,902	0	140,545
Earnings on Investments	631	330	0	192	1,153
Other Revenue	816	0	0	0	816
	<u>50,152</u>	<u>93,248</u>	<u>33,902</u>	<u>192</u>	<u>177,494</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	18,735	0	0	0	18,735
Public Safety	0	5,193	0	0	5,193
Public Works	24,000	71,762	33,902	0	129,664
Health	2,000	5,523	0	200	7,723
	<u>44,735</u>	<u>82,478</u>	<u>33,902</u>	<u>200</u>	<u>161,315</u>
Total Receipts Over/(Under) Disbursements	<u>5,417</u>	<u>10,770</u>	<u>0</u>	<u>(8)</u>	<u>16,179</u>
Fund Cash Balances, January 1	<u>27,771</u>	<u>39,535</u>	<u>0</u>	<u>5,114</u>	<u>72,420</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$33,188</u></b>	<b><u>\$50,305</u></b>	<b><u>\$0</u></b>	<b><u>\$5,106</u></b>	<b><u>\$88,599</u></b>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trusts</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Local Taxes	\$6,630	\$29,339	\$0	\$35,969
Intergovernmental	20,182	60,331	0	80,513
Earnings on Investments	1,465	452	210	2,127
Other Revenue	1,208	0	0	1,208
	<u>29,485</u>	<u>90,122</u>	<u>210</u>	<u>119,817</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	21,238	0	0	21,238
Public Safety	0	6,181	0	6,181
Public Works	1,438	79,602	0	81,040
Health	0	5,363	850	6,213
	<u>22,676</u>	<u>91,146</u>	<u>850</u>	<u>114,672</u>
Total Receipts Over/(Under) Disbursements	<u>6,809</u>	<u>(1,024)</u>	<u>(640)</u>	<u>5,145</u>
Fund Cash Balances, January 1	<u>20,962</u>	<u>40,559</u>	<u>5,754</u>	<u>67,275</u>
<b>Fund Cash Balances, December 31</b>	<b><u>27,771</u></b>	<b><u>39,535</u></b>	<b><u>5,114</u></b>	<b><u>72,420</u></b>

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



**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Dodson Township, Highland County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of Lynchburg to provide fire services.

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

**B. Basis of Accounting**

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

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

**C. Cash Deposits**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

*Motor Vehicle License Tax Fund* - This fund receives motor vehicle tax money 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.

*Cemetery Levy Fund* - This fund receives proceeds from the property tax levy for cemetery maintenance.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

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

*Fire Levy Fund* - This fund receives proceeds from the property tax levy for fire protection to Township residents.

*Permissive Motor Vehicle License Tax Fund* - This fund received the proceeds from the tax levied by the Township and by Highland County on motor vehicle licenses sold for road maintenance.

**3. Capital Projects Fund**

*OPWC Issue 11 Project* - This fund was used to account for the Dodson Lane Restructuring project and the associated payments made by the State of Ohio to Miller Mason Paving Company, the project contractor.

**4. Fiduciary Fund (Nonexpendable Trust Fund)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following Significant Fiduciary Fund:

*The Stroup Bequest Fund* - This fund was left to the Township by individuals for the care of 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**2. EQUITY IN POOLED CASH AND DEPOSITS**

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$77,578	\$61,399
Certificates of deposit	11,021	11,021
Total Deposits	<u>\$88,599</u>	<u>\$72,420</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,322	\$50,152	\$11,830
Special Revenue	87,315	93,248	5,933
Capital Projects	0	33,902	33,902
Fiduciary	275	192	(83)
Total	<u>\$125,912</u>	<u>\$177,494</u>	<u>\$51,582</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,072	\$44,735	\$15,337
Special Revenue	126,850	82,478	44,372
Capital Projects	0	33,902	(33,902)
Fiduciary	389	200	189
Total	<u>\$187,311</u>	<u>\$161,315</u>	<u>\$25,996</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,525	\$29,485	\$2,960
Special Revenue	86,650	90,122	3,472
Fiduciary	275	210	(65)
Total	<u>\$113,450</u>	<u>\$119,817</u>	<u>\$6,367</u>

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,684	\$22,676	\$11,008
Special Revenue	125,788	91,146	34,642
Fiduciary	1,029	850	179
Total	\$160,501	\$114,672	\$45,829

Ohio Rev. Code, Section 5705.41(B), prohibits expenditures in excess of appropriations. Ohio Rev. Code Section 5705.36 requires that an increased amended certificate be obtained for revenue collected in an amount greater than the amount on the official certificate of estimated resources if the legislative authority intends to appropriate and expend the additional revenue. The Township failed to obtain an amended certificate or appropriate the Capital Projects Issue II State Grant.

The Township failed to obtain prior certification for all expenditures as required during 1999 and 1998.

**4. PROPERTY TAX**

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

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 and part-time employee belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**6. RISK MANAGEMENT**

The Township has obtained commercial insurance for the comprehensive property and general liability risks.

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool), a local government risk pool. The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Electronic Data Processing

The Township also provides life insurance to the Township officials through Lonestar Life Insurance Company.

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

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

To the Board of Trustees:

We have audited the accompanying financial statements of Dodson Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings as 1999-40436-001 to 1999-40436-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 24, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters

involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 24, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

March 24, 2000



**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

**FINDING NUMBER 1999-40436-001**

Ohio Rev. Code, Section 5705.36, requires that an increased amended certificate be obtained for revenue collected in an amount greater than the amount on the official certificate of estimated resources, if the legislative authority intends to appropriate and expend the additional revenue. Ohio Rev. Code, Section 5705.41(B), prohibits expenditures in excess of appropriations. The Township failed to obtain an amended certificate or appropriate the Capital Projects - Issue II State Grant.

**FINDING NUMBER 1999-40436-002**

Ohio Rev. Code, Section 5705.41(D), states that no order or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This Section provides for the following exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may issue a then and now certificate to certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance, both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000 the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

The Clerk's certification was dated after the purchase commitment was entered into on 45% of the 40 expenditures tested.

**FINDING NUMBER 1999-40436-003**

Ohio Admin. Code, 117-3-01, requires each township on a cash basis system to use the numeric codes prescribed by the uniform system of accounting. The following items were found to have been improperly posted in the accounting ledgers and/or improperly reported on the Township's annual financial report:

- a. The Fire Levy Fund portion of the first half 1998 general property tax settlement was improperly posted to the Permissive Township Motor Vehicle License Tax Fund as Motor Vehicle License Tax - Township Levied. These taxes should have been posted to the Fire Levy Fund as General Property Tax - Real Estate. Fund balance adjustments were required to correct these entries.
- b. The receipts from the 1999 and the 1998 \$10,000 personal property exemptions were improperly posted to the receipt account for Personal Property Tax, and were improperly reported as Taxes receipts. Personal property tax exemption receipts should be posted to the receipt accounts for Homestead, Rollback, and Personal Property Tax Exemptions, and reported as Intergovernmental receipts.
- c. The 1999 and 1998 road sealing grants from Highland County were improperly posted to the receipt account for Other and improperly reported as Other Revenue. These grant receipts should have been posted to the receipt account for Intergovernmental Receipts ( non-state and non-federal), and reported as Intergovernmental receipts.
- d. The portion of the 1999 and 1998 permissive motor vehicle license tax receipts levied by Highland County was improperly posted to the receipt account for Motor Vehicle License Tax - Township Levied, and was improperly reported as Taxes. The county levied portion of permissive motor vehicle license tax should have been posted to the receipt account for Motor Vehicle License Tax - County Levied, and reported as Intergovernmental receipts.

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**FINDING NUMBER 1999-40436-003 (Continued)**

- e. The first half 1999 trailer tax settlement was improperly posted to the receipt account for Tangible Personal Property Tax. The second half 1999 trailer tax settlement was improperly posted to the receipt account for Homestead and Rollback, and reported as Intergovernmental receipts. These receipts should have been posted to the receipt account for General Property Tax - Real Estate, and reported as Tax receipts.
- f. A large amount of expenditures (17 of the 40 expenditures tested) were improperly charged to account codes for Other Expenditure instead of being charged to the proper specific account code for that particular type of expenditure.
- g. All expenditures made from the Fire Levy Fund were charged to the program code Capital Outlay. The expenditures were for the fire contract with the Village of Lynchburg and for the deductions the County Auditor made from the property tax settlements. These expenditures should have been charged to and reported as Public Safety expenditures.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**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 2, 2000**