



**Auditor of State  
Betty Montgomery**



DIXON TOWNSHIP  
PREBLE COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Dixon Township  
Preble County  
928 Dove Road  
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the accompanying financial statements of Dixon Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2002, and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002, and 2001, 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 May 1, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 1, 2003

**DIXON TOWNSHIP  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$15,176	\$35,705	\$0	\$50,881
Intergovernmental	18,134	67,815		85,949
Earnings on Investments	633	633		1,266
Other Revenue	3,079			3,079
<b>Total Cash Receipts</b>	<u>37,022</u>	<u>104,153</u>	<u>0</u>	<u>141,175</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	40,812	95		40,907
Public Safety		16,068		16,068
Public Works		76,447		76,447
Health	3,800			3,800
<b>Total Cash Disbursements</b>	<u>44,612</u>	<u>92,610</u>	<u>0</u>	<u>137,222</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(7,590)</u>	<u>11,543</u>	<u>0</u>	<u>3,953</u>
Fund Cash Balances, January 1	<u>78,384</u>	<u>185,139</u>	<u>4,498</u>	<u>268,021</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$70,794</b></u>	<u><b>\$196,682</b></u>	<u><b>\$4,498</b></u>	<u><b>\$271,974</b></u>

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

**DIXON TOWNSHIP  
PREBLE COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$15,035	\$35,331		\$50,366
Intergovernmental	17,984	66,950		84,934
Earnings on Investments	6,139	3,941	\$411	10,491
Other Revenue	589			589
	<u>39,747</u>	<u>106,222</u>	<u>411</u>	<u>146,380</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	42,626			42,626
Public Safety		18,890		18,890
Public Works		74,053		74,053
Health	2,300			2,300
	<u>44,926</u>	<u>92,943</u>	<u>0</u>	<u>137,869</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(5,179)</u>	<u>13,279</u>	<u>411</u>	<u>8,511</u>
Fund Cash Balances, January 1	<u>83,563</u>	<u>171,860</u>	<u>4,087</u>	<u>259,510</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$78,384</b></u>	<u><b>\$185,139</b></u>	<u><b>\$4,498</b></u>	<u><b>\$268,021</b></u>

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



**DIXON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Dixon Township, Preble County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the City of Eaton to provide fire and ambulance 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 and Deposits**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and deposits 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:

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.

**DIXON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

Motor Vehicle License Tax Fund

This fund receives motor vehicle tax money for constructing, maintaining, and repairing Township roads.

**3. Fiduciary Fund (Expendable Trust Fund)**

O'Neal Bequest

This fund is used to account for resources restricted by a legally binding trust agreement.

**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 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. The Township did not encumber all commitments required by Ohio law. However, there were no material outstanding encumbrances at December 31, 2002, and 2001.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

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

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

**DIXON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**2. EQUITY IN POOLED CASH AND DEPOSITS (Continued)**

	2002	2001
Demand deposits	\$173,185	\$170,757
Certificates of deposit	98,789	97,264
Total deposits	\$271,974	\$268,021

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) uncollateralized.

During 2001 and 2002 the Township had up to \$128,297 of deposits were not insured or collateralized, contrary to Chapter 135, Ohio Revised Code. The Township did not obtain the required bank depository agreement for its deposits.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002, and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,200	\$37,022	\$4,822
Special Revenue	101,000	104,153	3,153
Fiduciary	0	0	0
Total	\$133,200	\$141,175	\$7,975

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$110,584	\$44,612	\$65,972
Special Revenue	285,958	92,610	193,348
Fiduciary	4,498	0	4,498
Total	\$401,040	\$137,222	\$263,818

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,805	\$39,747	\$7,942
Special Revenue	93,630	106,222	12,592
Fiduciary	0	411	411
Total	\$125,435	\$146,380	\$20,945

**DIXON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$115,369	\$44,926	\$70,443
Special Revenue	240,489	92,943	147,546
Fiduciary	4,087	0	4,087
Total	\$359,945	\$137,869	\$222,076

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members 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, 2002.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**DIXON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

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

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
 <u>Property Coverage</u>	 <u>2001</u>	 <u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Dixon Township  
Preble County  
928 Dove Road  
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the accompanying financial statements of Dixon Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2002, and 2001, and have issued our report thereon dated May 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-40368-001 to 2002-40368-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 1, 2003.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-40368-001 to 2002-40368-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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We also 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 May 1, 2003.

This report is intended solely for the information and use of 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 1, 2003



**DIXON TOWNSHIP  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

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

**FINDING NUMBER 2002-40368-001**

**Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 135.18, provides that the fiscal officer shall require the institution designated as a public depository to pledge and deposit with him eligible securities of aggregate market value equal to the excess of deposits over and above those covered by the federal deposit insurance corporation. A depository agreement details the amounts over and above the FDIC \$100,000 that an institution is willing to accept from a depositor.

The Township did not obtain the required depository agreement. As of January 1, 2001, to December 31, 2002, up to \$128,297 over the FDIC mandated \$100,000 was uninsured and uncollateralized, due to the lack of such an agreement. Failure to obtain depository agreements can result in deposited funds being uninsured and uncollateralized. We recommend that the Township obtain a depository agreement with Firststar/U.S. Bank.

**FINDING NUMBER 2002-40368-002**

**Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 9.38, requires that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. During the audit period, the Township made deposits approximately once a month. Failure to deposit funds on the business day following the day of receipt could result in possible misappropriation of funds.

We recommend that the Township implement a policy regarding the deposit of funds. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, the Township may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. Only the Board of Trustees may adopt this policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

**FINDING NUMBER 2002-40368-003**

**Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**FINDING NUMBER 2002-40368-003  
(Continued)**

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

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Fiscal Officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Eighteen percent of expenditures tested for the audit period were not properly certified. Neither of the above two exceptions were used. Failure to properly certify funds can result in overspending funds and negative cash fund balances.

We recommend the Township properly certify funds by obtaining approved purchase orders, which contain the Fiscal Officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**DIXON TOWNSHIP  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-40368-001	Revised Code 135.18, failure to adequately collateralize funds	No	Reissued as Finding Number 2002-40368-001
2000-40368-002	Revised Code 9.38, failure to deposit funds	No	Reissued as Finding Number 2002-40368-002
Management Letter Citation #3	Revised Code 5705.41(D), failure to properly certify funds	No	Reissued as Finding Number 2002-40368-003





**Auditor of State  
Betty Montgomery**

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**DIXON TOWNSHIP**

**PREBLE 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 27, 2003**