



Mary Taylor, CPA  
Auditor of State



DUDLEY TOWNSHIP  
HARDIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Private Purpose Trust Fund - For the Year Ended December 31, 2006.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Private Purpose Trust Fund - For the Year Ended December 31, 2005.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	20

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

Dudley Township  
Hardin County  
19213 CR 144  
Kenton, Ohio 43326

To the Board of Trustees:

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

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

**Mary Taylor, CPA**  
Auditor of State

June 5, 2007

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Dudley Township  
Hardin County  
19213 CR 144  
Kenton, Ohio 43326

To the Board of Trustees:

We have audited the accompanying financial statements of Dudley Township, Hardin County, (the Township) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP requires 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 townships 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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Dudley Township, Hardin County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

June 5, 2007



**DUDLEY TOWNSHIP  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$17,389	\$23,713	\$41,102
Intergovernmental	33,866	106,922	140,788
Licenses, Permits, and Fees	2,285		2,285
Earnings on Investments	539	635	1,174
Miscellaneous	815	920	1,735
	<u>54,894</u>	<u>132,190</u>	<u>187,084</u>
<b>Total Cash Receipts</b>			
	<u>54,894</u>	<u>132,190</u>	<u>187,084</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	33,728		33,728
Public Safety	22		22
Public Works	1,450	91,741	93,191
Health	21,889	750	22,639
Human Services	300		300
Other	1,130		1,130
Capital Outlay	400	9,252	9,652
	<u>58,919</u>	<u>101,743</u>	<u>160,662</u>
<b>Total Cash Disbursements</b>			
	<u>58,919</u>	<u>101,743</u>	<u>160,662</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(4,025)</u>	<u>30,447</u>	<u>26,422</u>
<b>Fund Cash Balances, January 1</b>	<u>20,803</u>	<u>79,180</u>	<u>99,983</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$16,778</b></u>	<u><b>\$109,627</b></u>	<u><b>\$126,405</b></u>

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

DUDLEY TOWNSHIP  
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
PRIVATE PURPOSE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

<b>Cash Receipts:</b>	
Earnings on Investments	<u>\$4</u>
<b>Cash Disbursements</b>	
Supplies and Materials	
Total Receipts Over Disbursements	<u>4</u>
Fund Cash Balance, January 1	<u>507</u>
<b>Fund Cash Balance, December 31</b>	<u><b>\$511</b></u>

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

**DUDLEY TOWNSHIP  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$16,185	\$22,070	\$38,255
Intergovernmental	33,247	89,407	122,654
Charges for Services	914		914
Licenses, Permits, and Fees	1,985		1,985
Earnings on Investments	377	367	744
Miscellaneous	350	1,547	1,897
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	53,058	113,391	166,449
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	34,331		34,331
Public Works	1,147	122,836	123,983
Health	22,839		22,839
Human Services	300		300
Capital Outlay	730	23,372	24,102
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	59,347	146,208	205,555
	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(6,289)	(32,817)	(39,106)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts</b>			
Sale of Fixed Assets	3,325	16,003	19,328
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(2,964)	(16,814)	(19,778)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	23,767	95,994	119,761
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$20,803</b>	<b>\$79,180</b>	<b>\$99,983</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances		681	681
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

DUDLEY TOWNSHIP  
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
PRIVATE PURPOSE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

<b>Cash Receipts:</b>	
Earnings on Investments	<u>\$3</u>
<b>Cash Disbursements</b>	
Supplies and Materials	
Total Receipts Over Disbursements	<u>3</u>
Fund Cash Balance, January 1	<u>504</u>
<b>Fund Cash Balance, December 31</b>	<u><b>\$507</b></u>

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

**DUDLEY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Dudley Township, Hardin County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees Township directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services.

The Township participates in three jointly governed organization and a public entity risk pool. Note 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

**Jointly Governed Organizations:**

BKP Ambulance District provides emergency medical services to local governments.

The Southeast Hardin Northwest Union Joint Fire District provides fire protection to local governments.

The Hardin County Regional Planning Commission coordinates grant writing and zoning within Hardin County.

**Public Entity Risk Pool:**

Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships.

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. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit 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:

**DUDLEY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**Road and Bridge Fund** – This fund receives property tax revenues which are used for constructing, maintaining, and repairing Township roads and bridges.

**3. Fiduciary Funds**

Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is the Coutu Cemetery Bequest. The principal is maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**DUDLEY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**F. Property, Plant, and Equipment**

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

**2. PRIOR PERIOD RESTATEMENT - ACCOUNTING CHANGE**

The Township failed to establish a separate fund for a private purpose trust received in 2003. For the year ended December 31, 2004, and subsequent beginning January 1, 2005, fund balances in the General Fund and Private Purpose Trust Fund have been restated as follows:

	<b>General</b>	<b>Private Purpose Trust</b>
Fund Cash Balances as previously reported, December 31	\$24,271	
Prior Period Adjustment	(504)	504
Fund Cash Balance as restated, December 31	\$23,767	\$504

**3. EQUITY IN POOLED CASH**

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

	<b>2006</b>	<b>2005</b>
Demand Deposits	\$126,916	\$67,749
Certificates of Deposit		32,741
Total Deposits	\$126,916	\$100,490

**Deposits:** The savings account held in a bank during 2006 is insured by the Federal Depository Insurance Corporation. Deposits held in a credit union are insured by the National Credit Union Share Insurance Fund. Deposits held in the credit union that are in excess of \$100,000 were not insured which violates the requirements of the Ohio Rev. Code Section 135.18.

The Township maintained some of its deposits in a credit union which is not an eligible depository per Ohio Rev. Code Section 135.03.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

<b>2006 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$59,231	\$54,894	(\$4,337)
Special Revenue	129,449	132,190	2,741
Total	\$188,680	\$187,084	(\$1,596)

**DUDLEY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

<b>2006 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$80,541	\$58,919	\$21,622
Special Revenue	208,629	101,743	106,886
Total	\$289,170	\$160,662	\$128,508

<b>2005 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$61,517	\$56,383	(\$5,134)
Special Revenue	106,244	129,394	23,150
Total	\$167,761	\$185,777	\$18,016

<b>2005 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$85,605	\$59,347	\$26,258
Special Revenue	201,496	146,889	54,607
Total	\$287,101	\$206,236	\$80,865

**5. 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.

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.



**DUDLEY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. RETIREMENT SYSTEM**

**A. Ohio Public Employees Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of the participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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

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

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

**Casualty Coverage**

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

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

**Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

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

**DUDLEY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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

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

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$5,048. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Township Contributions to OTARMA</u>	
2004	\$2,605
2005	\$2,835
2006	\$2,529

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also, upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**DUDLEY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**8. JOINTY-GOVERNED ORGANIZATIONS**

**A. BKP Ambulance District**

The BKP Ambulance District, Hardin County (the District) 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 District is directed by an appointed seven-member Board of Trustees who are from the participating subdivisions, Buck Township, Dudley Township, Dudley Township, Goshen Township, Lynn Township, Pleasant Township, and the City of Kenton. The District provides ambulance services to the citizens within the District. Financial information can be obtained from Vicki Collins, BKP Ambulance District, 439 South Main Street, Kenton, Ohio 43326.

**B. Southeast Hardin Northwest Union Joint Fire District**

The Southeast Hardin Northwest Union Joint Fire District, Hardin County, (the Fire District) 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 Fire District is directed by an appointed four-member Board of Trustees. One board member is appointed by each political subdivision within the Fire District which consists of Dudley Township and Hale Township in Hardin County, Washington Township in Union County, and the Village of Mount Victory, in Hardin County. The Fire District provides fire protection within the Fire District. Financial information can be obtained from Peggy Eastman, Southeast Hardin Northwest Union Joint Fire District, P.O. Box 123, Mt. Victory, Ohio 43340.

**C. Hardin County Regional Planning Commission**

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Village is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed.

**9. RELATED PARTY TRANSACTION**

During 2006 and 2005, the Township maintained 57% and 100%, respectively, of its deposits in a credit union that was managed by the son of one of the Township Trustees. During 2007, the Township moved all deposits, except for the balance of a Private Purpose Trust Fund in the amount of approximately \$500, to a local bank.

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

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

Dudley Township  
Hardin County  
19213 CR 144  
Kenton, Ohio 43326

To the Board of Trustees:

We have audited the financial statements of Dudley Township, Hardin County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 5, 2007 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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 expressing our opinion on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting  
(Continued)**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Township's management in a separate letter dated June 5, 2007.

**Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated June 5, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

June 5, 2007

DUDLEY TOWNSHIP  
HARDIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

**Noncompliance**

**Ohio Rev. Code Section 135.03** states that eligible depositories include national banks and banks defined in ORC Section 1101.01. **Ohio Rev. Code Section 1101.01 (B)** states that a "Bank" means a cooperation that solicits, receives, or accepts money or its equivalent for deposit as a business, whether the deposit is made by check or is evidenced by a certificate of deposit, passbook, note, receipt, ledger card, or otherwise. "Bank" also includes a state bank or a corporation doing business as a bank or savings bank under authority granted by the bank regulatory of another state of the United States or another country, but does not include a savings association, savings banks, or credit union.

In 2006 and 2005, the Township held \$74,157(57%) and \$141,853(100%), respectively, of its deposits in a local credit union which was not an eligible depository. Further, this credit union was managed by the son of one of the Township Trustees.

All Township deposits should be held in institutions that are eligible per this Code Section

FINDING NUMBER 2006-002

**Noncompliance**

**Ohio Rev. Code Section 135.18** provides that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The credit union, in which the Township held 100% of its deposits in 2005 and a portion of its deposits in 2006, did not provide security in an amount equal to the funds on deposit in excess of the \$100,000 coverage provided by the National Credit Union Share Insurance Fund. During 2006 and 2005, there were twenty months in which the Township's month-end bank balance exceeded \$100,000 by amounts between \$5,682 and \$45,956. This credit union is managed by the son of one of the Township Trustees.

The Township should maintain its deposits in an eligible financial institute that provides security in an amount equal to the funds on deposit at all times.

**DUDLEY TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different corrective Action Taken; or Finding No Longer Valid; Explain
2004-001	ORC Sec. 135.03 – Maintained deposits in an ineligible depository.	No	Repeated as finding 2006-001.
2004-002	ORC Sec 135.18 – Collateral was not provided for deposits in excess of \$100,000.	No	Repeated as finding 2006-002.





**Mary Taylor, CPA**  
Auditor of State

**DUDLEY TOWNSHIP**

**HARDIN 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  
JULY 10, 2007**