



Mary Taylor, CPA  
Auditor of State



DODSON TOWNSHIP  
HIGHLAND COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Dodson Township  
Highland County  
7051 Spilker Road  
Lynchburg, Ohio 45142

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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 4, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Dodson Township  
Highland County  
7051 Spilker Road  
Lynchburg, Ohio 45142

To the Board of Trustees:

We have audited the accompanying financial statements of Dodson Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. 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 require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require 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.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
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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, 2007 and 2006 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, 2007 and 2006, 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 reserves for encumbrances of Dodson Township, Highland County, as of December 31, 2007 and 2006, 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 December 4, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

December 4, 2008



**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent Funds</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$9,671	\$27,837	\$0	\$37,508
Intergovernmental	29,600	107,451	0	137,051
Earnings on Investments	386	1,808	0	2,194
Miscellaneous	227	0	0	227
	<u>39,884</u>	<u>137,096</u>	<u>0</u>	<u>176,980</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	41,655	421	0	42,076
Public Works	0	58,370	0	58,370
Health	0	6,358	0	6,358
Capital Outlay	0	27,672	0	27,672
	<u>41,655</u>	<u>92,821</u>	<u>0</u>	<u>134,476</u>
Total Receipts Over/(Under) Disbursements	<u>(1,771)</u>	<u>44,275</u>	<u>0</u>	<u>42,504</u>
Fund Cash Balances, January 1	<u>35,952</u>	<u>275,474</u>	<u>5,432</u>	<u>316,858</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$34,181</u></b>	<b><u>\$319,749</u></b>	<b><u>\$5,432</u></b>	<b><u>\$359,362</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent Funds</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$9,427	\$28,310	\$0	\$37,737
Intergovernmental	17,638	98,518	0	116,156
Earnings on Investments	446	1,808	0	2,254
Miscellaneous	370	0	0	370
	<u>27,881</u>	<u>128,636</u>	<u>0</u>	<u>156,517</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	29,135	0	0	29,135
Public Works	0	49,866	0	49,866
Health	0	4,125	0	4,125
	<u>29,135</u>	<u>53,991</u>	<u>0</u>	<u>83,126</u>
Total Cash Disbursements	<u>29,135</u>	<u>53,991</u>	<u>0</u>	<u>83,126</u>
Total Receipts Over/(Under) Disbursements	<u>(1,254)</u>	<u>74,645</u>	<u>0</u>	<u>73,391</u>
Fund Cash Balances, January 1	<u>37,206</u>	<u>200,829</u>	<u>5,432</u>	<u>243,467</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$35,952</u></b>	<b><u>\$275,474</u></b>	<b><u>\$5,432</u></b>	<b><u>\$316,858</u></b>
Reserve for Encumbrances, December 31	<u>\$2,115</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,115</u>

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

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 Dodson Township, Highland County, Ohio (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'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. Jointly Governed Organization**

The Township is part of the Highland County Joint Township Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints the Hospital Board of Governors which is composed of one member from each township and three at-large members.

**D. 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.

**E. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

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

**3. Permanent Funds**

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

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**F. 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. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**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.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. Equity in Pooled Cash and Investments**

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

	2007	2006
Demand deposits	\$252,894	\$210,390
Perspective 11 Annuity		
Guaranteed one year fixed annuities	106,468	106,468
Total deposits and investments	\$359,362	\$316,858

The Township invested in annuities which are not permitted by Ohio Law. Additionally, the Township did not approve and file an investment policy prior to making the aforementioned investments.

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Perspective 11 Fixed Annuities are invested with Jackson National Life Insurance Company, issued through Fifth Third Securities. Collateral is provided through the general assets of the company.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,417	\$39,884	\$4,467
Special Revenue	97,305	137,096	39,791
Permanent	250	0	(250)
Total	\$132,972	\$176,980	\$44,008

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,953	\$41,655	\$13,298
Special Revenue	134,070	92,821	41,249
Permanent	0	0	0
Total	\$189,023	\$134,476	\$54,547

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,345	\$27,881	\$5,536
Special Revenue	97,426	128,636	31,210
Permanent	219	0	(219)
Total	\$119,990	\$156,517	\$36,527

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$31,250	(\$31,250)
Special Revenue	0	53,991	(53,991)
Permanent	0	0	0
Total	\$0	\$85,241	(\$85,241)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds during 2006, due to no annual appropriation resolution being filed with the County Auditor.

Also, the Township did not obtain prior certification of the fiscal officer for all purchases.

**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.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. Leases**

Leases outstanding at December 31, 2007 were as follows:

	Principal	Interest Rate
Lease Purchase	\$46,002	0.00%

The Township leased to purchase a Massey Ferguson 5455 Two Wheel Drive Tractor and a 17" Alamo Boom Mower. The first payment will be due on March 22, 2008.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	Promissory Note
2008	\$7,667
2009	7,667
2010	7,667
2011	7,667
2012	7,667
2013	7,667
Total	\$46,002

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**7. Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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.

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. Risk Management (Continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006, 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

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, 2007 and 2006.



**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. Risk Management (Continued)**

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$1,427. 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.

<b><u>Contributions to OTARMA</u></b>	
2005	\$1,688
2006	\$1,692
2007	\$1,518

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**8. Compliance**

During 2007 and 2006, the Township posted restricted monies to incorrect funds. The Township has corrected the accompanying financial statements and Township ledgers, where applicable.

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# 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*

Dodson Township  
Highland County  
7051 Spilker Road  
Lynchburg, Ohio 45142

To the Board of Trustees:

We have audited the financial statements of the Dodson Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated December 4, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-002 and 2007-003 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated December 4, 2008.

#### **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 2007-001 through 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 4, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

December 4, 2008

**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

**Ohio Rev. Code, Sections 135.14 and 133.03(A)(1)**, prescribes the eligible investments in which a subdivision is permitted to invest interim monies. **Ohio Rev. Code, Section 135.14**, also provides that investments cannot be made unless a written investment policy is on file with the Auditor of State.

**Ohio Rev. Code, Section 135.22**, requires that the Fiscal Officer complete annual continuing investment training education programs provided by the Treasurer of State if the township has invested public funds in other than those prescribed by Ohio Rev. Code Section 135.14.

During 2007 and 2006, the Township invested \$106,486 in Jackson National Life Annuities through Fifth Third Securities. The Township has not adopted or filed an investment policy. Also, the former Fiscal Officer did not attend the required investment training. As such, the Township does not have the authority to invest in annuities.

We recommend that the Township Officials review the Ohio Revised Code to ensure that any investments they plan to make are allowable. If the Township decides to invest in items other than CDs and STAR OHIO, the Township Trustees should develop an investment policy as required by Ohio Rev. Code Section 135.15 and the Fiscal Officer should attend the proper training required for investments, as required by Ohio Rev. Code Section 135.22.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2007-002**

**Noncompliance Citation/Material Weakness**

**Ohio Rev. Code, Section 5705.41(D)**, prohibits a subdivision or taxing unit from making any contract or giving 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2007-002**  
**(Continued)**

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the availability of funds was not certified for 15% of the 2007 and 80% of the 2006 transactions tested. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Audit adjustments were made in the amount of \$2,115, in the general fund to report material outstanding encumbrances for 2006.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2007-003**

**Material Noncompliance/Material Weakness**

**Ohio Admin. Code, Section 117-2-01(D)**, states, in part, that when designing a public office's system of internal control and the specific control activities, management should consider:

- Ensuring that all transactions are properly authorized in accordance with management's policies; and
- Ensuring that accounting records are properly designed.

The Township lacked management oversight in the proper posting of the following errors in the Township's accounting records:

- During 2007, the Township's fiscal officer misposted expenditures, which required the following adjustments, in the following funds:

Fund	General Government	Public Works	Health	Capital Outlay
General	\$100	\$ 0	\$ 0	\$ 0
Gasoline Tax	0	(27,672)	0	27,672
Cemetery	0	0	(100)	0

- During 2006, the Township's fiscal officer misposted expenditures, which required the following adjustments, in the following funds:

Fund	General Government	Public Works	Health	Capital Outlay
General	\$2,485	\$ 0	\$ 0	\$ 0
Gasoline Tax	0	(1,466)	0	(327)
Cemetery	0	0	(692)	0

- During 2007, the Township's fiscal officer misposted intergovernmental receipts and tax receipts, which required the following adjustments, as follows:

Fund	Taxes	Intergovernmental
General	(\$837)	\$343
Motor Vehicle License	( 981)	981
Gasoline Tax		
Road and Bridge	480	(31)
Cemetery	338	(293)
Permissive Motor Vehicle License	367	(367)

**FINDING NUMBER 2007-003  
 (Continued)**

- During 2006, the Township's fiscal officer misposted interest receipts, intergovernmental receipts, tax receipts and miscellaneous receipts, which required the following adjustments, as follows:

Fund	Taxes	Intergovernmental	Interest	Miscellaneous
General	(\$1,834)	(\$4,787)	(\$1,615)	\$ 370
Motor Vehicle License	( 4,949)	( 3,828)	238	(498)
Gasoline Tax	4,035	0	1,326	0
Road and Bridge	328	1,099		0
Cemetery	0	1,002		0
Permissive Motor Vehicle License	8,104	2,596	51	1,637

More care should be given to the posting of Township receipts and expenditures. Since this information is carried forward to the Township's annual financial report and is the presentation of the Township's financial position, it is of the utmost importance that the report fairly and accurately presents the Township's true financial status. Inaccurate ledgers and financial statements increase the risk that errors, theft or fraud could occur and not be detected in a timely manner.

Officials should also periodically review the records to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes, and documents reviewed should be initialed by the reviewer.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2007-004**

**Material Noncompliance**

**Ohio Rev. Code, Section 5705.38(A)**, requires that on or about the first day of the fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Board of Trustee meeting minutes do not document the approval and passage of Permanent Appropriations for 2006.

**Ohio Rev. Code, Section 5705.40**, states that any appropriation measure may be amended or supplemented provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. Transfers may be made by resolution or ordinance from one appropriation item to another.

In 2006, the Board of Trustees made general resolutions authorizing the Fiscal Officer to make necessary line item transfers to keep from over charging any account. The Fiscal Officer posted appropriation changes without specific resolutions by the Board. The Board of Trustees is the taxing authority of the Township and all appropriations and modification must be made by Board resolution in the minute records. There is no authority for the Board to delegate this authority to the Fiscal Officer.



**FINDING NUMBER 2007-004  
 (Continued)**

**Ohio Rev. Code, Section 5705.41(B)**, prohibits a subdivision from making an expenditure unless it has been properly appropriated. Since the Trustees did not approve permanent appropriations for 2006, the following funds had expenditures which exceeded appropriations:

<u>Fund/ Fund Number</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<b><u>December 31, 2006:</u></b>			
General Fund	\$0	\$31,250	(\$31,250)
Motor Vehicle License Fund	0	1,859	(1,859)
Gasoline Tax Fund	0	43,434	(43,434)
Road and Bridge Fund	0	3,773	(3,773)
Cemetery Fund	0	4,125	(4,125)
Permissive Motor Vehicle Fund	0	800	(800)

We recommend that the Board of Trustees approve Permanent Appropriations in accordance with this section of the code and maintain all approved budgetary documentation. We also recommend that the Township implement procedures to provide for budgetary expenditures to be limited by the appropriation amounts authorized by the Board of Trustees.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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**DODSON TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

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>
2005-001	Illegal investments	No	Repeated as finding #2007-001
2005-002	Not properly certifying availability of funds.	No	Repeated as finding #2007-002
2005-003	Permissive motor vehicle license tax receipts posted incorrectly.	No	Repeated as finding #2007-003
2005-004	Improper posting of road and bridge funds.	Yes	
2005-005	Improper posting of cemetery levy funds.	No	Repeated as finding #2007-003
2005-006	Improper posting of gasoline tax funds.	No	Repeated as finding #2007-003





**Mary Taylor, CPA**  
Auditor of State

**DODSON TOWNSHIP**

**HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 24, 2008**