



**DINSMORE TOWNSHIP
SHELBY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

DINSMORE TOWNSHIP
SHELBY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of Dinsmore Township, Shelby County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

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

Jim Petro
Auditor of State

June 9, 2000

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**DINSMORE TOWNSHIP
SHELBY COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$14,648	\$76,023		\$90,671
Intergovernmental	27,110	70,579	27,560	125,249
Licenses, Permits, and Fees	1,350			1,350
Earnings on Investments	1,562	532		2,094
Other Revenue	1,203	4,782		5,985
	<u>45,873</u>	<u>151,916</u>	<u>27,560</u>	<u>225,349</u>
Total Cash Receipts				
	<u>45,873</u>	<u>151,916</u>	<u>27,560</u>	<u>225,349</u>
Cash Disbursements:				
Current:				
General Government	29,325			29,325
Public Safety		38,638		38,638
Public Works	1,855	98,599		100,454
Health	4,498	3,660		8,158
Capital Outlay			27,560	27,560
	<u>35,678</u>	<u>140,897</u>	<u>27,560</u>	<u>204,135</u>
Total Cash Disbursements				
	<u>35,678</u>	<u>140,897</u>	<u>27,560</u>	<u>204,135</u>
Total Receipts Over/(Under) Disbursements	<u>10,195</u>	<u>11,019</u>	<u>0</u>	<u>21,214</u>
Fund Cash Balances, January 1	<u>40,390</u>	<u>88,516</u>	<u>0</u>	<u>128,906</u>
Fund Cash Balances, December 31	<u><u>\$50,585</u></u>	<u><u>\$99,535</u></u>	<u><u>\$0</u></u>	<u><u>\$150,120</u></u>

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

**DINSMORE TOWNSHIP
SHELBY COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$14,647	\$72,285	\$86,932
Intergovernmental	23,578	66,799	90,377
Licenses, Permits, and Fees	1,330		1,330
Earnings on Investments	1,940	543	2,483
Other Revenue	1,980	2,060	4,040
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	43,475	141,687	185,162
Cash Disbursements:			
Current:			
General Government	32,068		32,068
Public Safety		34,494	34,494
Public Works	75,719	61,052	136,771
Health	4,737	2,333	7,070
Capital Outlay	600	421	1,021
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	113,124	98,300	211,424
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	(69,649)	43,387	(26,262)
Other Financing Receipts:			
Sale of Fixed Assets	7,500		7,500
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	7,500	0	7,500
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(62,149)	43,387	(18,762)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	102,539	45,129	147,668
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>
	\$40,390	\$88,516	\$128,906

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

**DINSMORE TOWNSHIP
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Township'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. Fund Accounting

The Township uses fund accounting to segregate cash that is 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.

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township streets.

Rescue Levy Fund - This fund receives the proceeds of a property tax levy for obtaining ambulance services for the Township residents.

**DINSMORE TOWNSHIP
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds: (Continued)

Fire Levy Fund - This fund receives the proceeds from a property tax levy for obtaining the fire protection services for Township residents.

Cemetery Fund - This fund receives the proceeds from cemetery fees and lot sales at the Township cemetery.

3. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund.

Issue II Fund - The Township received a grant from the State of Ohio for road resurfacing.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

E. 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.

**DINSMORE TOWNSHIP
SHELBY COUNTY**

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

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$150,120</u>	<u>\$128,906</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$38,176	\$45,873	\$7,697
Special Revenue	148,003	151,916	3,913
Capital Projects	<u>27,560</u>	<u>27,560</u>	<u>0</u>
Total	<u>\$213,739</u>	<u>\$225,349</u>	<u>\$11,610</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$78,990	\$35,678	\$43,312
Special Revenue	235,552	140,897	94,655
Capital Projects	<u>27,560</u>	<u>27,560</u>	<u>0</u>
Total	<u>\$342,102</u>	<u>\$204,135</u>	<u>\$137,967</u>

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$37,170	\$50,975	\$13,805
Special Revenue	<u>157,495</u>	<u>141,687</u>	<u>(15,808)</u>
Total	<u>\$194,665</u>	<u>\$192,662</u>	<u>(\$2,003)</u>

**DINSMORE TOWNSHIP
SHELBY COUNTY**

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

3. BUDGETARY ACTIVITY (continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$146,082	\$113,124	\$32,958
Special Revenue	196,252	98,300	97,952
Total	\$342,334	\$211,424	\$130,910

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 post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, 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, 1999.

6. RISK MANAGEMENT

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

- General liability and casualty
- Public official's liability
- Vehicle

The Township also provides health and life insurance coverage to the elected officials through a private carrier.



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

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

To the Board of Trustees:

We have audited the accompanying financial statements of Dinsmore Township, Shelby County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-40275-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 9, 2000.

This report is intended 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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 9, 2000

**DINSMORE TOWNSHIP
SHELBY COUNTY**

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

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

FINDING NUMBER 1999-40275-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached thereto, a certificate of the fiscal officer 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 encumbrance.

The following exception to this basic requirement is provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, sufficient funds were available or were in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Of the expenditures tested, thirty-one percent did not have proper certification. Also, a system of encumbering is not in place, which limits the fiscal officer's ability to certify that the amount was in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, since the amount of outstanding encumbrances, or an available unencumbered balance is unknown for any given line item at any point in time.

Certification should be obtained for all expenditures. Also, a system of encumbering should be placed in operation to allow the fiscal officer to track the amount of outstanding encumbrances and available unencumbered balance against any line item at any given point in time, thus allowing for accurate certifications.



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DINSMORE TOWNSHIP

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 18, 2000**