



Mary Taylor, CPA
Auditor of State

**DORSET TOWNSHIP
ASHTABULA COUNTY**

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Mary Taylor, CPA
Auditor of State

Dorset Township
Ashtabula County
2561 State Route 193
Dorset, Ohio 44032

To the Dorset Township 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.

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Mary Taylor, CPA
Auditor of State

September 30, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Dorset Township
Ashtabula County
2561 State Route 193
Dorset, Ohio 44032

To the Dorset Township Trustees:

We have audited the financial statements of Dorset Township (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 30, 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. 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.

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.

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 of Dorset Township, Ashtabula 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 September 30, 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.

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

Mary Taylor, CPA
Auditor of State

September 30, 2008

**DORSET TOWNSHIP
ASHTABULA 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$37,814	\$93,307	\$131,121
Licenses, Permits, and Fees	260	4,887	5,147
Intergovernmental	10,937	111,133	122,070
Earnings on Investments	2,583	2,819	5,402
Miscellaneous	3,210	5,618	8,828
	<u>54,804</u>	<u>217,764</u>	<u>272,568</u>
Total Cash Receipts			
	<u>54,804</u>	<u>217,764</u>	<u>272,568</u>
Cash Disbursements:			
Current:			
General Government	49,836	44,184	94,020
Public Safety	210	28,767	28,977
Public Works		16,059	16,059
Health	6,860	2,702	9,562
Capital Outlay		240,710	240,710
	<u>56,906</u>	<u>332,422</u>	<u>389,328</u>
Total Cash Disbursements			
	<u>56,906</u>	<u>332,422</u>	<u>389,328</u>
Total Receipts Over/(Under) Disbursements	(2,102)	(114,658)	(116,760)
Other Financing Receipts / (Disbursements):			
Sale of Notes		125,900	125,900
Transfers-In		5,000	5,000
Transfers-Out	(5,000)		(5,000)
	<u>(5,000)</u>	<u>130,900</u>	<u>125,900</u>
Total Other Financing Receipts / (Disbursements)			
	<u>(5,000)</u>	<u>130,900</u>	<u>125,900</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(7,102)	16,242	9,140
Fund Cash Balances, January 1	<u>76,277</u>	<u>198,162</u>	<u>274,439</u>
Fund Cash Balances, December 31	<u><u>\$69,175</u></u>	<u><u>\$214,404</u></u>	<u><u>\$283,579</u></u>

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

**DORSET TOWNSHIP
ASHTABULA 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$35,164	\$65,775	\$100,939
Licenses, Permits, and Fees	110	4,295	4,405
Intergovernmental	10,913	93,405	104,318
Earnings on Investments	506	652	1,158
Miscellaneous	3,100	10,500	13,600
	<u>49,793</u>	<u>174,627</u>	<u>224,420</u>
Cash Disbursements:			
Current:			
General Government	85,978	5,855	91,833
Public Safety	105	32,013	32,118
Public Works		72,583	72,583
Health	6,450	1,500	7,950
Other		24,015	24,015
Capital Outlay	109		109
	<u>92,642</u>	<u>135,966</u>	<u>228,608</u>
Total Receipts Over/(Under) Disbursements	<u>(42,849)</u>	<u>38,661</u>	<u>(4,188)</u>
Other Financing Receipts / (Disbursements):			
Transfers-In		3,000	3,000
Transfers-Out	(3,000)		(3,000)
	<u>(3,000)</u>	<u>3,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(45,849)	41,661	(4,188)
Fund Cash Balances, January 1	<u>122,126</u>	<u>156,501</u>	<u>278,627</u>
Fund Cash Balances, December 31	<u>\$76,277</u>	<u>\$198,162</u>	<u>\$274,439</u>

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

**DORSET TOWNSHIP
ASHTABULA 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 Dorset Township, Ashtabula County, (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, fire protection and emergency medical services. The Township contracts with Dorset Volunteer Fire Department to provide fire services and South Central Ambulance District, (SCAD), to provide emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

OTARMA - Public Entity Risk Pool:

OTARMA is a member of the American Public Entities 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.

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:

**DORSET TOWNSHIP
ASHTABULA 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:

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.

Fire Levy Funds – These funds receive property tax money for maintaining and purchasing equipment and covering costs for providing fire services.

Community Center Fund – This fund receives property tax money for maintaining/purchasing equipment and covering costs for the upkeep of the community center.

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 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.

**DORSET TOWNSHIP
ASHTABULA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

	2006	2005
Demand deposits	\$238,579	\$229,439
Certificates of deposit	45,000	45,000
Total deposits	\$283,579	\$274,439

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

3. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$41,118	\$54,804	\$13,686
Special Revenue	179,208	348,664	169,456
Total	\$220,326	\$403,468	\$183,142

2006 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$83,316	\$61,906	\$21,410
Special Revenue	179,870	332,422	(152,552)
Total	\$263,186	\$394,328	(\$131,142)

**DORSET TOWNSHIP
ASHTABULA COUNTY**

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

3. BUDGETARY ACTIVITY - (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,118	\$49,792	\$8,674
Special Revenue	135,472	177,628	42,156
Total	\$176,590	\$227,420	\$50,830

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$131,655	\$95,641	\$36,014
Special Revenue	163,429	135,967	27,462
Total	\$295,084	\$231,608	\$63,476

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.

5. RETIREMENT SYSTEMS

The Township employees and 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 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 8.5% of their gross salaries and the Township contributed an amount equaling 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**DORSET TOWNSHIP
ASHTABULA COUNTY**

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

6. 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.

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, including loss adjustment expenses. 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 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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 provide 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127

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.

**DORSET TOWNSHIP
ASHTABULA COUNTY**

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

6. RISK MANAGEMENT - (Continued)

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, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 is approximately \$25,414. 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>Contributions to OTARMA</u>	
2004	\$10,277
2005	\$12,511
2006	\$13,473

**DORSET TOWNSHIP
ASHTABULA COUNTY**

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

6. RISK MANAGEMENT – (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.

7. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Promissory Note	\$125,900	4.75%

The Township issued a promissory note to finance the purchase of a new fire truck. The Township's taxing authority collateralized the note.

Amortization of the above debt, including interest, is scheduled as follows:

	Fire Truck Note
Year ending December 31:	
2006	\$28,882
2007	28,882
2008	28,882
2009	28,882
2010	28,882
Total	\$144,410

8. LEGAL COMPLIANCE

Ohio Administrative Code Sections 117-2-02 and 03 establish the required accounting records and report information for governments. The Township records were deficient in several areas contrary to these Code Sections.

Ohio Revised Code Section 5747.06 and Sections 26 United States Code 3402 requires the employer to withhold federal and state income taxes from employee's compensation. Said taxes were not withheld for the elected officials.

Ohio Revised Code Section 5705.41 (B) establishes budgetary procedures whereas expenditures should be equal to or less than amounts appropriated. Various funds had expenditures that exceeded the amounts appropriated.

Ohio Revised Code Section 5705.41 (D) requires the fiscal officer to certify the availability of funds prior to the obligation being incurred, and encumbering the amount until payment is made. The Township did not certify the availability of funds nor encumber any obligations during the audit period.

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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*

Dorset Township
Ashtabula County
2561 State Route 193
Dorset, Ohio 44032

To the Township Board of Trustees:

We have audited the financial statements of Dorset Township (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 30, 2008 wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 District'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 deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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, we believe finding number 2006-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 30, 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 2006-001 through 2006-004.

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 September 30, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

September 30, 2008

**DORSET TOWNSHIP
ASHTABULA 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 Citation/ Material Weakness

Ohio Administrative Code § 117-2-02(A), provides guidance that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, label, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule **117-2-03** of the **Ohio Administrative Code**.

Although improvement was made from the prior audit period, the financial records of the Township were deficient in several areas such as:

- The Receipt and Appropriation Ledgers did not include account numbers or budget estimates at the legal level of control; thusly, revenues anticipated to be collected, appropriations and unencumbered balances, respectively, were not reflected. As a result of no budgetary amounts being entered into the accounting records, the Township officials could not monitor budgetary activity by regularly comparing budgeted versus actual amounts at the legal level of control. The budgetary disclosures in the footnotes were adjusted to reflect the Board approved appropriations and the Budget Commission certified estimated receipts.
- The Township's financial records were not reconciled with the depository on a monthly basis for the period January 2005 through December 2006. Numerous errors in posting, such as transposition of numbers, postings to the wrong line items, month-to-date or year-to-date totals in the cash journal or subsidiary ledgers were not reflected, which created problems in performing cash reconciliations. Therefore, the annual financial report did not accurately report the financial activity, resulting in every line item on the report requiring adjustments.

The lack of monitoring budgetary data, performing accurate monthly reconciliations between the accounting records and the bank, and the accurate posting of records, increases the possibility that undetected errors or irregularities could occur and not be corrected in a timely manner.

Monthly bank reconciliations between the accounting records and the bank need to be performed. Any errors to the reconciliation should be corrected and/or disclosed as soon as possible and any unusual adjustments needed to reconcile should be presented to the Board of Trustees for their approval. In addition, beginning revenue estimates and annual appropriation amounts should be recorded in the receipt and appropriation ledgers at the legal level of control, respectively, and budgeted versus actual comparisons should be reviewed by the Fiscal Officer on an ongoing basis and should be presented to the Trustees for their review on a regular (at least monthly) basis.

**DORSET TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDING NUMBER 2006-001 - (Continued)

Being that there have been posting and handwriting errors via the manual system in the current and prior audit periods, which has caused delays in performing the audits, we recommend that the Board of Township Trustees carefully review this matter and strongly consider implementing an electronic data processing system to maintain the Township's financial activity. The Auditor of State provides Townships access to the Uniform Accounting Network (UAN) System. Besides providing an electronic accounting mechanism, the UAN system provides certain administrative controls which may facilitate the Board's monitoring of the Township's financial activity. Furthermore, the UAN system may also assist the Township in complying with certain applicable provisions of the Ohio Revised and Administrative Codes.

We also recommend the Township implement additional procedures over the completeness and accuracy of the financial information reported within the financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

The Township's financial statements and budgetary schedules have adjusted to accurately reflect the errors noted above.

Official's Response:

The Fiscal Officer indicated (and Trustees concurred) that the Township will be checking to utilize the UAN system sometime in 2009. The Fiscal Officer was going to look into possibly getting software through the State and hardware elsewhere if possible.

FINDING NUMBER 2006-002

Noncompliance Citation

Sections 26 United States Code 3402 (federal) and **Ohio Revised Code § 5747.06** (state) provide that every employer making payment of compensation to an employee who is a taxpayer shall withhold from such compensation federal and state taxes (respectively) computed in such a manner as to result in an amount substantially equivalent to the tax reasonably estimated to be due.

The Township Fiscal Officer did not deduct federal and/or state taxes from the Township's elected officials as required.

This matter is being referred to the Internal Revenue and State Tax Department.

Official's Response:

The new Fiscal Officer who took office in 2008 will comply with the above sections starting in 2009, and will contact both agencies for the proper accounting and remittance of the taxes.

**DORSET TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making expenditures unless they have been appropriated. Expenditures exceeded appropriations by material amounts in the Street Lighting (\$1,144), Fire Truck Levy (\$1,966), Fire Levy (\$170,402) and Community Center (\$4,200) Funds in 2006; and the Community Center (\$2,708) and Gas Tax (\$6,822) Funds in 2005.

The negative variances indicated that the Board did not monitor the Township's budgetary activity and did not use its budgetary system as a mechanism to control costs. Expenditures that exceed the amounts appropriated could result in the Township incurring obligations and not have sufficient funds to pay for said goods or services.

The Fiscal Officer should deny payment requests exceeding appropriations. The Fiscal Officer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if monies are available and necessary.

Official's Response:

The Township officials intend to perform budgetary monitoring on a regular basis at their monthly meetings (most likely first meeting of following month).

FINDING NUMBER 2006-004

Noncompliance Citation

Ohio Revised Code § 5705.41(D), states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the Fiscal Officer is attached. The Fiscal Officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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.

1. **Then and Now Certificate:** If the Fiscal Officer can certify that both at the time that the contract or order was made "then" at the time that he is completing his certification "now", 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. 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.

**DORSET TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDING NUMBER 2006-004 - (Continued)

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.

The Township did not encumber or certify the availability of funds at the time of the commitment for 100% of expenditures during the audit period. Incurring obligations prior to the Fiscal Officer’s certification could result in the Township spending more than appropriated.

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 the 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 certify purchases to which section 5705.41(D) applies. 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 commitments to the proper appropriation code, to reduce the available appropriation.

Official’s Response:

The new Fiscal Officer stated she is currently using Then & Now Certificates for all expenditures and will begin using blanket certificates in 2009. The auditors informed her at the post audit (9/30/08) that Then & Now Certificates are to be used sparingly and not as the norm. This was also done in part due to the records reconstruction needed when she took office April 1, 2008 and the fact that POs were not utilized as evidenced per SOF 2006-004.

**DORSET TOWNSHIP
ASHTABULA 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; <i>Explain</i>
2004-001	Reconciliations not performed during audit period; Cash journal fund balances did not agree with annual report.	No.	Citation 2006-001 in current report.
2004-002	§26 United States Code 3402 (federal) and ORC §5747.06	No.	Citation 2006-002 in current report.
2004-003	ORC §5705.41(B), appropriating disbursements.	No.	Citation 2006-003 in current report.
2004-004	ORC §5705.41(D), prior certification of disbursements not made and no Then and Now Cert. issued.	No.	Citation 2006-004 in current audit.



Mary Taylor, CPA
Auditor of State

DORSET TOWNSHIP

ASHTABULA 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
NOVEMBER 6, 2008**