



**Auditor of State
Betty Montgomery**

**DORSET TOWNSHIP
ASHTABULA COUNTY**

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**Auditor of State
Betty Montgomery**

Dorset Township
Ashtabula County
3710 Tower Road
Dorset, Ohio 44032

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 a February 2, 2005 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 opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 9, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Dorset Township
Ashtabula County
3710 Tower Road
Dorset, Ohio 44032

To the Board of Trustees:

We have audited the accompanying financial statements of Dorset Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2004 and 2003. 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. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements.

The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances Dorset Township, Ashtabula County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 May 9, 2006, 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.



Betty Montgomery
Auditor of State

May 9, 2006

**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, 2004**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Local Taxes	\$31,619	\$50,114	\$81,733
Intergovernmental	11,086	84,031	95,117
Licenses, Permits, and Fees	2,475	5,228	7,703
Earnings on Investments	809	535	1,344
Other Revenue		13	13
	<u>45,989</u>	<u>139,921</u>	<u>185,910</u>
Cash Disbursements:			
Current:			
General Government	43,261	15,727	58,988
Public Safety		32,173	32,173
Public Works		47,372	47,372
Health	5,420	1,350	6,770
Capital Outlay		47,654	47,654
	<u>48,681</u>	<u>144,276</u>	<u>192,957</u>
Total Cash Disbursements	<u>48,681</u>	<u>144,276</u>	<u>192,957</u>
Total Receipts Over/(Under) Disbursements	<u>(2,692)</u>	<u>(4,355)</u>	<u>(7,047)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		2,500	2,500
Transfers-Out	(2,500)		(2,500)
	<u>(2,500)</u>	<u>2,500</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)	<u>(2,500)</u>	<u>2,500</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(5,192)</u>	<u>(1,855)</u>	<u>(7,047)</u>
Fund Cash Balances, January 1	<u>127,318</u>	<u>158,356</u>	<u>285,674</u>
Fund Cash Balances, December 31	<u>\$122,126</u>	<u>\$156,501</u>	<u>\$278,627</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, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$32,780	\$51,725	\$84,505
Intergovernmental	36,417	79,619	116,036
Licenses, Permits, and Fees	1,775	5,055	6,830
Earnings on Investments	1,104	824	1,928
Other Revenue	42		42
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	72,118	137,223	209,341
Cash Disbursements:			
Current:			
General Government	45,936	40,728	86,664
Public Safety		12,625	12,625
Public Works		56,701	56,701
Health	5,451		5,451
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	51,387	110,054	161,441
Total Receipts Over/(Under) Disbursements	20,731	27,169	47,900
Other Financing Receipts and (Disbursements):			
Transfers-In		5,000	5,000
Transfers-Out	(5,000)		(5,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(5,000)	5,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	15,731	32,169	47,900
Fund Cash Balances, January 1	111,587	126,187	237,774
Fund Cash Balances, December 31	<u>\$127,318</u>	<u>\$158,356</u>	<u>\$285,674</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, 2004 AND 2003**

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, cemetery maintenance, community center maintenance, fire protection and emergency medical services. The Township contracts with the Dorset Volunteer Fire Department for fire and emergency 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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 investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township maintained a general operating account and certificates of deposit. The Township values certificates of deposits 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:

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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**DORSET TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds (Continued)

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 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. The Township did not utilize the encumbrance method of accounting.

A summary of 2004 and 2003 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.

**DORSET TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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:

	2004	2003
Demand deposits	\$233,627	\$240,674
Certificates of deposit	45,000	45,000
Total deposits	\$278,627	\$285,674

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, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,840	\$45,989	\$12,149
Special Revenue	53,010	142,421	89,411
Total	\$86,850	\$188,410	\$101,560

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,149	\$51,181	\$29,968
Special Revenue	130,014	144,276	(14,262)
Total	\$211,163	\$195,457	\$15,706

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,300	\$72,118	\$37,818
Special Revenue	54,200	142,223	88,023
Total	\$88,500	\$214,341	\$125,841

**DORSET TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$78,098	\$56,387	\$21,711
Special Revenue	139,576	110,054	29,522
Total	\$217,674	\$166,441	\$51,233

Ohio Revised Code § 5705.41(B), prohibits a subdivision from making an expenditure unless it has been appropriated. Expenditures exceeded appropriations by the following material amounts in the Gas Tax (\$10,331), Road & Bridge (\$2,751), Fire Levy (\$10,866), and Community Center (\$3,057) Funds in 2004 and the Community Center (\$4,248) Fund in 2003.

Ohio Revised Code § 5705.41(D) requires the Township to certify purchases prior to the obligation being incurred. The Township did not comply with this section of the Code.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2003. The Township has paid all contributions required through December 31, 2004.

**DORSET TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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 2004 and 2003.

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

**DORSET TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. LEGAL COMPLIANCE

The Township was in noncompliance with the following legal requirements:

- 1- Ohio Administrative Code 117-2-02 and 03 in regards to maintaining the proper accounting system and financial statement presentations.
- 2- Sections 26 United States Code 3402 and Ohio Revised Code 5747.06 provide that federal and state taxes are to be withheld from employees pay checks. Said taxes were not being withheld as required for the elected officials of the Township.



Auditor of State Betty Montgomery

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

Dorset Township
Ashtabula County
3710 Tower Road
Dorset, Ohio 44032

To the Board of Trustees:

We have audited the financial statements of Dorset Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated May 9, 2006, 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 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable condition 2004-001 listed above to be a material weakness.

In a separate letter to the Township's management dated May 9, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-004. In a separate letter to the Township's management dated May 9, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 9, 2006

**DORSET TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

Material Weakness/Noncompliance citation:

<i>Finding Number</i>	2004-001
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Ohio Administrative Code § 117-2-02 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 and unencumbered balances, respectively, were not reflected. Township officials did not monitor budgetary activity by regularly comparing budgeted versus actual amounts at the legal level of control nor did the Fiscal Officer utilize purchase orders to encumber disbursements. This resulted in disbursements exceeding appropriations, and also exceeding the amount of actual revenues plus fund balances in numerous funds during the audit period, which if repeated over an extended period of time, could result in negative fund balances.
- The Township's financial records were not reconciled with the depository on a monthly basis for the period January 2003 through December 2004. Numerous errors in posting, such as transposition of numbers, illegible entries, postings to the wrong line items, no month-to-date or year-to-date totals in the cash journal or subsidiary ledgers created problems in performing cash reconciliations. Fund balances per the cash journal did not agree with amounts posted to the annual report. The cash balance in the annual report was understated by \$45,145 in 2003 and overstated by \$11,087.88 in 2004.

Without the following being performed on a regular basis, such as the monitoring of budgetary data, performing accurate monthly reconciliations between the books and the bank, and the accurate posting of records, the possibility then exists that undetected errors or irregularities could occur and not be corrected in a timely manner.

In order to present an accurate account of the financial operations of the Township, monthly bank reconciliations 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.

Being that there have been numerous posting and handwriting errors via the manual system, 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.

**DORSET TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

Noncompliance Citations:

<i>Finding Number</i>	2004-002
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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.

<i>Finding Number</i>	2004-003
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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 Gas Tax (\$10,331), Road & Bridge (\$2,751), Fire Levy (\$10,866) and Community Center (\$3,057) Funds in 2004 and the Community Center (\$4,248) Fund in 2003. This 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.

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.

<i>Finding Number</i>	2004-004
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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.
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. (Prior to September 26,

DORSET TOWNSHIP
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)

<i>Finding Number</i>	2004-004
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3. 2003, blanket certificates were limited to \$5,000 and three months.) 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.
4. **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. 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.

Implementation of this recommendation may assist the Township in maintaining compliance with Ohio Revised Code.

**DORSET TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-411040-001	Ohio Admin. Code § 117-2-02 and 117-2-03	No	Not corrected. OAC provisions have changed since prior audit.
2002-411040-002	§ 26 United States Code 3402 (federal) and Ohio Revised Code § 5747.06 (state)	No	Not corrected. Repeated in this audit.
2002-411040-003	Ohio Revised Code § 5705.41(B)	No	Not corrected. Same citation as prior audit, different funds affected.
2002-411040-004	Ohio Revised Code § 5705.41(D)	No	Not corrected. Repeated in this audit.



**Auditor of State
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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
MAY 23, 2006**