

Pickaway Township
Pickaway County, Ohio

Regular Audit

January 1, 2006, through December 31, 2007
Fiscal Years Audited Under GAGAS: 2007 and 2006



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

Auditor of State

Board of Trustees
Pickaway Township
6166 Zane Trail Road
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of Pickaway Township, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Pickaway Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

October 7, 2008

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Pickaway Township
Pickaway County
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Independent Auditor's Report

Board of Trustees
Pickaway Township
Pickaway County
6166 Zane Trail Rd.
Circleville, Ohio 43113

We have audited the accompanying financial statements of Pickaway Township, Pickaway County, (the Township) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

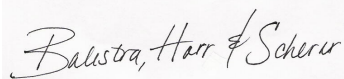
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments 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, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion & 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 August 11, 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.



Balestra, Harr & Scherer, CPAs, Inc.

August 11, 2008

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 112,538	\$ 123,409	\$ -	\$ 235,947
Intergovernmental	44,152	135,751	-	179,903
Licenses, Permits, and Fees	8,816	-	-	8,816
Charges for Services	94,014	-	-	94,014
Earnings on Investments	1,343	917	11	2,271
Miscellaneous	13,527	-	-	13,527
	<u>274,390</u>	<u>260,077</u>	<u>11</u>	<u>534,478</u>
Cash Disbursements:				
Current:				
General Government	116,623	-	-	116,623
Public Safety	95,096	-	-	95,096
Public Works	591	342,587	-	343,178
Health	4,761	-	-	4,761
Capital Outlay	9,336	103,246	-	112,582
Debt Service:				
Redemption of Principal	-	2,581	-	2,581
	<u>226,407</u>	<u>448,414</u>	<u>-</u>	<u>674,821</u>
Total Cash Disbursements	<u>226,407</u>	<u>448,414</u>	<u>-</u>	<u>674,821</u>
Total Cash Receipts Over/(Under) Cash Disbursements	47,983	(188,337)	11	(140,343)
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	-	203,246	-	203,246
	<u>-</u>	<u>203,246</u>	<u>-</u>	<u>203,246</u>
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>203,246</u>	<u>-</u>	<u>203,246</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	47,983	14,909	11	62,903
Fund Cash Balances, January 1	<u>17,994</u>	<u>240,665</u>	<u>1,290</u>	<u>259,949</u>
Fund Cash Balances, December 31	<u><u>\$ 65,977</u></u>	<u><u>\$ 255,574</u></u>	<u><u>\$ 1,301</u></u>	<u><u>\$ 322,852</u></u>

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

**PICKAWAY TOWNSHIP
PICKAWAY 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property Taxes	\$ 118,705	\$ 129,563	\$ -	\$ 248,268
Intergovernmental	17,039	105,923	-	122,962
Charges for Services	81,309	-	-	81,309
Fines, Licenses, and Permits	2,850	-	-	2,850
Earnings on Investments	1,507	560	10	2,077
Miscellaneous	11,382	386	-	11,768
	<u>232,792</u>	<u>236,432</u>	<u>10</u>	<u>469,234</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	127,546	-	-	127,546
Public Safety	102,555	-	-	102,555
Public Works	464	199,227	-	199,691
Health	5,903	-	-	5,903
Capital Outlay	23,809	-	-	23,809
	<u>260,277</u>	<u>199,227</u>	<u>-</u>	<u>459,504</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	(27,485)	37,205	10	9,730
Fund Cash Balances, January 1, restated see note 9	<u>45,479</u>	<u>203,460</u>	<u>1,280</u>	<u>250,219</u>
Fund Cash Balances, December 31	<u>\$ 17,994</u>	<u>\$ 240,665</u>	<u>\$ 1,290</u>	<u>\$ 259,949</u>

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

Pickaway Township
Pickaway County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Pickaway Township, (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 road and bridge services, including road and bridge maintenance (public works), cemetery maintenance, and fire protection 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 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.

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 and investments that are 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:

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

Road and Bridge – This fund receives local tax money for constructing, maintaining and repairing Township roads and bridges.

3. Permanent Funds

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

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

Pickaway Township
 Pickaway County, Ohio
 Notes to the Financial Statement
 For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unencumbered cash as of January 1. The County Budget Commission must also approved 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.

A summary of 2007 and 2006 budgetary activity appears in Note 6.

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.

F. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sale of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$ 321,852	\$ 258,949
Certificates of deposit	1,000	1,000
Total deposits and investments	\$ 322,852	\$ 259,949

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution for its public deposits.

Pickaway Township
 Pickaway County, Ohio
 Notes to the Financial Statement
 For the Years Ended December 31, 2007 and 2006

3. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the 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.

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

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.

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. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risk:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years. There Has been no significant change in coverage from the prior year.

6. BUDGETARY ACTIVITY

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 253,374	\$ 274,401	\$ 21,027
Special Revenue	407,427	463,323	55,896
Permanent	5	11	6
Total	\$ 660,806	\$ 737,735	\$ 76,929

Pickaway Township
 Pickaway County, Ohio
 Notes to the Financial Statement
 For the Years Ended December 31, 2007 and 2006

6. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 270,374	\$ 226,407	\$ 43,967
Special Revenue	549,381	448,414	100,967
Permanent	-	-	-
Total	<u>\$ 819,755</u>	<u>\$ 674,821</u>	<u>\$ 144,934</u>

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 55,788	\$ 232,792	\$ 177,004
Special Revenue	205,200	236,432	31,232
Permanent	10	10	0
Total	<u>\$ 260,998</u>	<u>\$ 469,234</u>	<u>\$ 208,236</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 260,277	\$ (260,277)
Special Revenue	-	199,227	(199,227)
Permanent	-	-	-
Total	<u>\$ -</u>	<u>\$ 459,504</u>	<u>\$ (459,504)</u>

7. DEBT

Debt outstanding at December 31, 2007 was as follows:

	12/31/2007 Balance	Interest Rate
Ohio Public Works Commission	\$ 100,665	0%
Kingston Nation Bank	100,000	5.25%
Total	<u>\$ 200,665</u>	

The Township issued an Ohio Public Works Commission (OPWC) note in 2007 to finance the replacement of a Township Road. Also in 2007 the Township issued a note with the Kingston Nation Bank to cover the local portion required by OPWC for the replacement of a Township Road.

Pickaway Township
 Pickaway County, Ohio
 Notes to the Financial Statement
 For the Years Ended December 31, 2007 and 2006

7. DEBT (CONTINUED)

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

	Kingston National Bank	OPWC
Year ending December 31:		
2008	\$ 23,261	\$ 2,581
2009	23,261	5,162
2010	23,261	5,162
2011	23,261	5,162
2012	23,261	5,162
2013-2017	-	25,812
2018-2022	-	25,812
2024-2027	-	25,812
	\$ 116,305	\$ 100,665

8. COMPLIANCE

Contrary to Ohio law, the Township did not certify their appropriation measure in 2006 with the county auditor.

Contrary to Ohio law, the Township's budgetary basis expenditures exceeded appropriations in all funds in 2006.

9. FUND RECLASSIFICATION

As a result of the required fund classifications as described in Auditor of State Technical Bulletin 2005-005, the Township began reporting its nonexpendable trust fund as a permanent fund in 2006. This change resulted in the following changes to fund balance as previously stated December 31, 2005:

	Nonexpendable Trust Fund	Permanent Fund
Fund Balance December 31, 2005	\$ 1,280	\$ -
Elimination of Fund Type	(1,280)	1,280
Fund Balance January 1, 2006	\$ -	\$ 1,280

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Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Pickaway Township
Pickaway County
6166 Zane Trail Rd.
Circleville, Ohio 43113

We have audited the financial statements of Pickaway Township, Pickaway County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 11, 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 Township's internal control over financial reporting.

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

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: 2007-003.

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

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

Internal Control Over Financial Reporting (Continued)

We noted certain matters that we reported to the Township's management in a separate letter dated August 11, 2008.

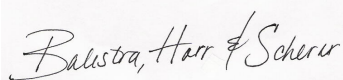
Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters what we reported to the Township's management in a separate letter dated August 11, 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 the Township's management and the Township's Board of Trustees. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
August 11, 2008

**PICKAWAY TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

FINDING NUMBER 2007-001

Non-Compliance

Ohio Revised Code section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed.

In 2006 the Township failed to file their appropriation measure with the County Auditor causing appropriations to be set at \$0.

The Township should implement monitoring procedures to ensure that all documents that are too filed with the county auditor are filed on time.

Client Response:

The Township will file all forms when due with the County Auditor.

FINDING NUMBER 2007-002

Non-Compliance

Ohio Revised Code section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

Upon comparison of appropriations to expenditures, we noted expenditures exceeded appropriations at the legal of control in all funds for 2006 as the Township did not certify its appropriations with the county auditor resulting in \$0 appropriations for all funds.

The Township should implement monitoring procedures to ensure appropriations are properly filed with the County Auditor and expenditures do not exceed appropriations at the legal level of control.

Client Response:

The Township will file appropriations with the County Auditor.

FINDING NUMBER 2007-003

Material Weakness

We identified reclassifications and adjustments during the course of the audit which should have been prevented or detected by the Township's internal controls over financial reporting. These errors and omissions were not prevented or detected by the Township's internal controls over financial reporting.

The Township should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported in accordance with the accounting basis required for the Township to follow.

Client Response:

The Fiscal Officer will be more specific about line item receipts.



Mary Taylor, CPA
Auditor of State

PICKAWAY TOWNSHIP

PICKAWAY 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**