



Mary Taylor, CPA
Auditor of State

**PLEASANT TOWNSHIP
PERRY COUNTY**

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Mary Taylor, CPA
Auditor of State

Pleasant Township
Perry County
P.O. Box 472
Moxahala, Ohio 43761

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

July 25, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Pleasant Township
Perry County
P.O. Box 472
Moxahala, Ohio 43761

To the Board of Trustees:

We have audited the accompanying financial statements of Pleasant Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005. 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.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

Management did not provide us with a complete set of minutes for the meetings of the Board of Trustees. We cannot reasonably determine what effect, if any, any actions taken at these meetings, for which minutes were not provided, would have on the Township's financial statements.

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, except for the effects of such adjustments, if any, as might have been determined to be necessary had the minutes of the Board of Trustees been complete, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Pleasant Township, Perry County, Ohio, 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 July 25, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 25, 2008

**PLEASANT TOWNSHIP
PERRY 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>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$16,611	\$18,417		\$35,028
Licenses, Permits, and Fees		800		800
Intergovernmental	17,660	97,943		115,603
Earnings on Investments	943	634		1,577
Miscellaneous	458	1,183		1,641
	<u>35,672</u>	<u>118,977</u>	<u>\$0</u>	<u>154,649</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	32,469			32,469
Public Safety		100		100
Public Works		85,630		85,630
Health		7,592		7,592
Other		13,532		13,532
Capital Outlay		141		141
Debt Service:				
Redemption of Principal		8,546		8,546
Interest and Other Fiscal Charges		2,454		2,454
	<u>32,469</u>	<u>117,995</u>	<u>0</u>	<u>150,464</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	3,203	982	0	4,185
Fund Cash Balances, January 1	(1,962)	167,495	94	165,627
Fund Cash Balances, December 31	<u>\$1,241</u>	<u>\$168,477</u>	<u>\$94</u>	<u>\$169,812</u>

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

**PLEASANT TOWNSHIP
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Fiduciary Fund Type
	Private Purpose Trust
Non-Operating Cash Receipts:	
Earnings on Investments	\$2
Total Non-Operating Cash Receipts	2
Net Receipts Over/(Under) Disbursements	2
Fund Cash Balances, January 1	520
Fund Cash Balances, December 31	\$522

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

**PLEASANT TOWNSHIP
PERRY 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$14,836	\$19,324		\$34,160
Licenses, Permits, and Fees		1,761		1,761
Intergovernmental	19,327	173,865		193,192
Earnings on Investments	734	471		1,205
Miscellaneous	265	2,032		2,297
Total Cash Receipts	<u>35,162</u>	<u>197,453</u>	<u>\$0</u>	<u>232,615</u>
Cash Disbursements:				
Current:				
General Government	40,008			40,008
Public Safety		13,958		13,958
Public Works		61,145		61,145
Health		7,530		7,530
Other		38,099		38,099
Capital Outlay		43,625		43,625
Debt Service:				
Redemption of Principal	5,000	3,000		8,000
Interest and Other Fiscal Charges		2,825		2,825
Total Cash Disbursements	<u>45,008</u>	<u>170,182</u>	<u>0</u>	<u>215,190</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(9,846)	27,271	0	17,425
Fund Cash Balances, January 1 (Restated - See Note 2)	<u>7,884</u>	<u>140,224</u>	<u>94</u>	<u>148,202</u>
Fund Cash Balances, December 31	<u>(\$1,962)</u>	<u>\$167,495</u>	<u>\$94</u>	<u>\$165,627</u>

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

**PLEASANT TOWNSHIP
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Disbursements:	
Other	\$12
Total Operating Cash Disbursements	12
Operating Income/(Loss)	(12)
Non-Operating Cash Receipts:	
Earnings on Investments	4
Total Non-Operating Cash Receipts	4
Net Receipts Over/(Under) Disbursements	(8)
Fund Cash Balances, January 1 (Restate - See Note 2)	528
Fund Cash Balances, December 31	\$520

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

**PLEASANT TOWNSHIP
PERRY 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 Pleasant Township, Perry 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 and cemetery maintenance. The Township contracts with the City of New Lexington and the Village of Corning to provide fire services and ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 8 to the financial statements provides additional information for these entities.

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 only invests available funds of the Township in demand deposits.

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

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (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.

Miscellaneous Special Revenue Fund – This fund receives federal funding from the Federal Emergency Management Agency for disaster relief.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Note Retirement Fund – This fund accumulates resources for the payment of note principal and interest.

4. Fiduciary Fund

Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of certain individuals.

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 or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 4.

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. Restatement of Fund Balances

The Township had unidentified reconciling items which were omitted from the financial statements in the amount of \$1,080 as of December 31, 2004. Therefore, the fund balance of the Township's General Fund was restated from \$8,964 to \$7,884.

Additionally, the Township's Carroll Trust Fund was incorrectly recorded on the financial statements with a portion of the balance as of December 31, 2004 included as part of the Cemetery Fund. Therefore, the fund balance of the Township's Special Revenue Fund was restated from \$140,214 to \$140,224 and the Township's Private Purpose Trust Fund was restated from \$508 to \$528.

3. Equity in Pooled Cash

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

	<u>2005</u>	<u>2006</u>
Demand deposits	\$166,147	\$170,334

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

4. Budgetary Activity

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,782	\$35,672	\$7,890
Special Revenue	101,982	118,977	16,995
Trust	0	2	2
Total	\$129,764	\$154,651	\$24,887

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$32,469	(\$32,469)
Special Revenue	0	117,995	(117,995)
Trust	0	0	0
Total	\$0	\$150,464	(\$150,464)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,189	\$35,162	(\$16,027)
Special Revenue	109,619	197,453	87,834
Trust	0	4	4
Total	\$160,808	\$232,619	\$71,811

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$45,008	(\$45,008)
Special Revenue	0	170,182	(170,182)
Trust	0	12	(12)
Total	\$0	\$215,202	(\$215,202)

Contrary to Ohio Rev. Code Section 5705.10, as of December 31, 2005, the Township's General Fund had a negative cash balance of \$1,962. Contrary to Ohio Rev. Code Section 5705.38, the Township failed to adopt permanent appropriations resulting in all Township expenditures exceeding appropriations, contrary to Ohio Rev. Code Section 5705.41(B).

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

5. 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.

6. Debt

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Township Garage Note	\$40,434	5%

The Township entered into a promissory note on May 4, 2002 with North Valley Bank for the construction of a new Township garage. The note was issued in the amount of \$80,980, with principal payments due of \$8,000, plus interest, from 2002 through 2005, and \$48,980 due on December 31, 2006.

On January 27, 2007 the Township entered into another promissory note in the amount of \$40,663 to repay the principal balance, plus accrued interest, of the above promissory note which had been due as of December 31, 2006. The provisions of this note requires the note to be repaid in four consecutive annual payments of \$8,000 plus accrued interest at a rate of 5.04% and one final principal and interest payment, on January 27, 2012, in the amount of \$9,106. This note is collateralized by an open-ended mortgage dated January 27, 2007 to the lender on the Township's property.

Ohio Rev. Code Section 133 did not authorize the Township to enter into the promissory note dated January 27, 2007.

7. Retirement System

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

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

7. Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

8. 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 provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, 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.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

8. Risk Management (Continued)

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
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	<u>(676,709)</u>	<u>(1,406,031)</u>
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 of unpaid 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 collectible in future years is approximately \$12,000. 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.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

8. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2004	\$2,895
2005	\$6,602
2006	\$0

9. Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. Subsequent Events

As discussed in Note 6, on January 27, 2007, the Township entered into a promissory note with North Valley Bank.



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*

Pleasant Township
Perry County
P.O. Box 472
Moxahala, Ohio 43761

To the Board of Trustees:

We have audited the financial statements of Pleasant Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 25, 2008 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We also qualified our report on the financial statements because Township management was unable to provide complete minutes for the meetings of the Board of Trustees. Except as discussed in the preceding sentence, 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 opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-002, 2006-003, 2006-005, 2006-006, 2006-007, and 2006-011 through 2006-015.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-002, 2006-003, 2006-005, 2006-007 and 2006-011 through 2006-014 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 25, 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 2006-010.

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 July 25, 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.

Pleasant Township
Perry County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 3

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.

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

Mary Taylor, CPA
Auditor of State

July 25, 2008

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**PLEASANT TOWNSHIP
PERRY 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

Finding for Recovery

Ohio Rev. Code Section 505.602 states that a board of township trustees may procure and pay all or any part of the cost of group life insurance to insure the lives of officers and full-time employees of the township. Thus, the spouse of an employee is not entitled to receive life insurance from a township.

During our testing of non-payroll disbursements, we noted three payments were made from the Township's General Fund during 2005 to Western Southern Life for which the supporting documentation, where present, indicated the payments were for life insurance for Carol Herges, the spouse of the Township's only full-time employee, Richard Herges. The payments noted were as follows:

- Check number 5924, issued on September 10, 2005, in the amount of \$360.48, was issued to Western Southern Life. The description on the voucher indicated this payment was for "Insurance-R. Herges." A review of Western Southern Life's premium payment history shows that Carol Herges life insurance policy was credited \$184.43 with this voucher. The balance of the check (\$176.05) does not appear to have been credited to either Richard or Carol Herges' accounts. This payment was authorized by Township Trustees Jeffrey Berry and William Glass at the Township meeting held on September 10, 2005. The check issued was signed by Trustees William Glass and Arthur West and the Fiscal Officer, Jo Ellen Alfman. This check cleared the Township's bank account on September 23, 2005.
- Check number 5968, issued on November 26, 2005, in the amount of \$368.86 dated November 26, 2005 was issued to Western Southern Life. The description on the voucher indicated this payment was for "C. Herges-Insurance." This voucher contained an invoice for life insurance coverage, with Carol Herges named as the insured, in the amount of \$184.43. Although the invoice was only for \$184.43, the voucher package indicated that this amount was only a monthly cost and the disbursement was for two months of coverage. This payment was authorized by Township Trustees Jeffrey Berry and William Glass at the Township meeting held on November 26, 2005. The check issued was also signed by Trustees Jeffrey Berry and William Glass and the Fiscal Officer, Jo Ellen Alfman. This check cleared the Township's bank account on December 7, 2005.
- Check number 5990, dated December 24, 2005, in the amount of \$368.86 was also issued to Western Southern Life. The description on the voucher also indicated this payment was for "Insurance-Carol Herges." This voucher contained no invoice. This payment was authorized by Township Trustees Jeffrey Berry and William Glass at the Township meeting held on December 24, 2005. These Trustees also signed this check as well as Fiscal Officer, Jo Ellen Alfman. This check cleared the Township's bank account on January 4, 2006.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-001 (Continued)

Finding for Recovery (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Township employee Richard Herges, husband of Carol Herges, Jeffrey Berry, Township Trustee, William Glass, Township Trustee, Arthur West, former Township Trustee, and Jo Ellen Alfman, Township Fiscal Officer, and the Ohio Township Association Risk Management Authority, their bonding company, jointly and severally, in the amount of \$922.15 and in favor of the General Fund of Pleasant Township.

Jeffrey Berry, Township Trustee, William Glass, Township Trustee, Arthur West, former Township Trustee, and Jo Ellen Alfman, Township Fiscal Officer, and the Ohio Township Association Risk Management Authority, their bonding company, shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Richard Herges.

Officials' Response

The Township officials believe the insurance agents misled them concerning the types of insurance offered, the cost of insurance, and individuals actually insured. The Township officials are currently attempting to obtain refunds on the premiums paid.

FINDING NUMBER 2006-002

Noncompliance Citation - Material Weakness

Ohio Rev. Code Section 121.22(C) states, in part, that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. In addition, Ohio Rev. Code Section 507.04(A) states the Township Fiscal Officer shall keep an accurate record of the proceedings of the board of township trustees at all of its meetings.

Upon receipt of the Township's records, we noted that the minutes of the Board of Trustees were kept in a bundle with various other records of the Township and separate from minutes of meetings from other months. In addition, the Township minutes were silent regarding certain actions of the Board including certain budgetary actions, such as appropriation and tax budget approvals. The minutes frequently consisted only of a listing of Township bills approved for payment.

The Township's failure to maintain the minutes of the meetings of the Board of Trustees in a permanent bound record with all other meetings resulted in the Fiscal Officer being unable to locate minutes for meetings of the Board of Trustees for January 8, January 22, and February 12, 2005. In addition, we noted that the minutes of four meetings for fiscal year 2006 were not always signed by the Fiscal Officer or Township Trustees. This resulted in the opinion on the Township's financial statements being qualified.

We recommend the Fiscal Officer take necessary care in preparation of the minutes to document all official actions and also recommend the Board of Trustees carefully review the minutes to help ensure they are complete and accurate.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

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

FINDING NUMBER 2006-002 (Continued)

Noncompliance Citation - Material Weakness - Ohio Rev. Code Section 121.22(C) (Continued)

Officials' Response

Minutes for 2007 and 2008 have been kept together and will be placed in an appropriate binder. More detailed minutes are now being kept by the fiscal officer.

FINDING NUMBER 2006-003

Noncompliance Citation - Material Weakness

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. Furthermore, Ohio Rev. Code Section 5705.39 states, in part, that no appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The minutes were silent regarding the adoption of annual permanent appropriation measures for 2005 and 2006. No copies of an annual appropriation measure were noted in the records presented for audit, nor were any appropriations noted to be on file with the Perry County Auditor.

The following amounts were posted as appropriations in the accounting system although there was no evidence presented for audit to indicate the Board had adopted appropriations:

Fund	Appropriations Posted to the Accounting System
For the Year Ending December 31, 2005:	
General Fund	\$59,353
Motor Vehicle License Tax Fund	5,000
Gasoline Tax Fund	61,600
Road and Bridge Fund	7,322
Cemetery Fund	13,500
Special Levy - EMS Fund	16,500
Special Levy - Fire Fund	15,630
Miscellaneous Special Rev. Fund	42,110
General Note Retirement Fund	90

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

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

FINDING NUMBER 2006-003 (Continued)

Noncompliance Citation - Material Weakness – Ohio Rev. Code Section 5705.38(A) (Continued)

Fund	Appropriations Posted to the Accounting System
For the Year Ending December 31, 2006:	
General Fund	\$34,949
Motor Vehicle License Tax Fund	12,850
Gasoline Tax Fund	111,000
Road and Bridge Fund	11,640
Cemetery Fund	23,020
Special Levy - EMS Fund	30,000
Special Levy - Fire Fund	21,130
Miscellaneous Special Rev. Fund	13,772
General Note Retirement Fund	94
Capital Equipment Fund	1,000

Without legally adopted appropriations, noncompliance with Ohio Rev. Code Section 5705.41(B) occurred as more fully discussed in Finding No. 2006-004.

We recommend the Board of Trustees adopt the permanent annual appropriations measure on or about the first day of the fiscal year, or operate under temporary appropriations until no later than April 1. Approval of the appropriation measure should be documented in the Township's minutes. Adopted appropriations should be filed with the County Auditor in a timely manner in order to make the appropriation measure become effective.

Officials' Response

The Township does operate on temporary appropriations. The Fiscal Officer will make sure that the adoption of permanent appropriations is noted in the minutes. The Fiscal Officer did think that she filed with the County Auditor in an appropriate manner.

FINDING NUMBER 2006-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Appropriations were not legally adopted during 2005 and 2006; therefore, all expenditures were in excess of appropriations.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

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

FINDING NUMBER 2006-004 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

As discussed in Finding No. 2006-003, appropriations should be legally adopted by the Board of Trustees each fiscal year. The Fiscal Officer should monitor available appropriations, and should deny payments that exceed appropriations. If available resources exist to make the payment, management should request the Board of Trustees to consider amending appropriations.

Officials' Response

The fiscal officer will make sure the appropriations are adopted legally and in a timely manner.

FINDING NUMBER 2006-005

Noncompliance Citation - Material Weakness

Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Fiscal Officer did not properly post amendments made to estimated receipts to the accounting system. Variances existed between the amended certificate of estimated resources and the amounts posted to the accounting system for both fiscal years. The following table details these variances:

2005			
General Fund	\$51,189	\$0	\$51,189
Motor Vehicle License Tax Fund	5,539	0	5,539
Gasoline Tax Fund	84,634	0	84,634
Road and Bridge Fund	12,352	0	12,352
Cemetery Fund	5,959	0	5,959
Special Levy - EMS Fund	4,539	0	4,539
Special Levy - Fire Fund	5,996	0	5,996
Miscellaneous Special Rev. Fund	0	40,910	(40,910)
2006			
General Fund	27,782	0	27,782
Motor Vehicle License Tax Fund	5,279	0	5,279
Gasoline Tax Fund	77,233	10,000	67,233
Road and Bridge Fund	5,325	0	5,325
Cemetery Fund	2,857	0	2,857
Special Levy - EMS Fund	5,094	0	5,094
Special Levy - Fire Fund	6,194	0	6,194

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-005

**Noncompliance Citation - Material Weakness - Ohio Admin. Code Section 117-2-02(C)(1)
(Continued)**

Failure to enter accurate information into the accounting system could result in Township management being unable to effectively monitor budgetary activity throughout the year.

We recommend the Fiscal Officer post to the accounting system estimated receipts from the certificate of estimated resources and any amendments thereto. The accompanying budgetary note disclosure includes budgeted receipts as certified by the County Auditor.

Officials' Response

The fiscal officer will post estimated receipts from the certificate of estimated resources.

FINDING NUMBER 2006-006

Noncompliance Citation - Significant Deficiency

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. 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" Certificates** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance of the Board against any specific line item account not extending beyond the end of the 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. Blanket certificates cannot be issued unless there has been an amount approved by the Board.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-006 (Continued)

**Noncompliance Citation - Significant Deficiency - Ohio Rev. Code Section 5705.41(D)(1)
(Continued)**

- 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 Board of Trustees did not establish by resolution the maximum amount by which blanket certificates could not exceed. The Township did not certify the availability of funds prior to purchase commitment for 55.6% of expenditures tested for fiscal year 2005 and 20% tested for fiscal year 2006. Although the obligations paid by the Township had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation and there was no evidence of a "Then and Now" certificate being used by the Fiscal Officer. Failure to properly certify the availability of funds can result in overspending of funds and negative cash balances.

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 the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. In rare instances when prior certification is not possible, "then and now" certification may 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 certification language Section 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 Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. If the Township officials intend to use blanket certificates, then the Board of Trustees should adopt a resolution establishing the maximum amount for which blanket certificates can be issued.

Officials' Response

The Trustees have set the maximum amount of a blanket certificate to be \$5,000.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-007

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustee compensation should be allocated and states that the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis. When paid by salary, ORC 505.24(C) requires that compensation of a township trustee must be paid from the Township General Fund or from such other Township funds, in such proportions as the Board may specify by resolution. In addition, 2004 Op. Att’y Gen. No. 2004-036 requires that Township Trustees establish administrative procedures that document the proportionate amount of trustees’ salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees’ document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation.

On December 31, 2004 and January 2, 2006, the Township adopted resolutions authorizing the amounts of salaries and fringe benefits to be paid from each fund as follows: 50.5% General Fund, 41.3% Gasoline Tax Fund, and 8.2% Cemetery Fund.

However, the Trustees’ combined annual salaries and fringe benefits were paid in the following proportions during the audit period: 18% General Fund, 9% Motor Vehicle License Tax Fund, 54% Gasoline Tax Fund, 11% Road and Bridge Fund, and 8% Cemetery Fund. In addition, we noted the Township had not established procedures documenting services rendered and the funds to which to allocate the costs of providing these services.

After bringing this to the Township management’s attention, the Board of Trustees passed a retroactive resolution on July 12, 2008 addressing the proportions from which the total compensation (salaries and fringe benefits) of Trustees should have been paid. The proportions approved were consistent with those percentages for which Trustees were actually paid as indicated above. However, the Township failed to use timesheets or any other method to document time spent on township services and the kinds of services rendered.

Failure to maintain documentation of time spent by the Trustee’s on each duty and the funds to which the time is to be charged may result in significant findings for adjustments being made to the Township’s fund balances in future years.

We recommend the Board of Trustees adopt formal administrative procedures in regards to documenting the time spent by Trustee’s on various duties and the funds to which each task should be charged. The Township should adopt a resolution specifying that the Township will allocate salaries based upon documentation submitted by each trustee. We also recommend all of the Trustees salaries be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustees’ salaries, including benefits, chargeable to other Township funds. In addition, the Township should document the duties the Trustees have already performed during 2007 and the current year and make adjustments to the amounts charged to each fund in accordance with this documentation.

**PLEASANT TOWNSHIP
PERRY COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-007 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 505.24(C) (Continued)

Officials' Response

A retroactive resolution was passed on July 12, 2008 addressing the proportions from which trustee compensation will be paid.

FINDING NUMBER 2006-008

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) provides that money paid into a fund must be used for the purposes for which said fund has been established. Accordingly, a negative fund balance indicates that money from one fund was used to cover the expense of another fund.

As of December 31, 2005, the Township's General Fund had a negative fund balance of \$1,962.

We recommend the Township only use money for the purposes for which the fund has been established. The Fiscal Officer should deny payment requests if adequate cash fund balances are not available. The Fiscal Officer may request the Board to approve cash advances, but only when adequate moneys are available in a fund(s) where a cash advance is otherwise legal. Auditor of State Audit Bulletin 1997-003 provides information on the authority for making cash advances and guidance on making advances, once it has been determined that authority exists for the cash advance.

Officials' Response

The fiscal officer will review Auditor of State Audit Bulletin 1997-003.

FINDING NUMBER 2006-009

Noncompliance Citation

Ohio Rev. Code Section 149.43(B) requires, in part, that all public records to be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, public offices shall maintain public records in such a manner that they can be made available for inspection. In addition, Ohio Rev. Code Section 149.42 requires the establishment of a township records commission and outlines the appropriate procedures for the adoption of a records retention schedule and the proper disposal of public records.

We noted the Township has not adopted a formal policy in regards to public records. In addition, our review of the Township's records presented for audit noted that records were not maintained in an orderly fashion that would allow for records to be readily made available for public inspection.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-009 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 149.43(B) (Continued)

These deficiencies resulted in records of the Township not being adequately maintained and/or lost. We noted that the Fiscal Officer had to contact various agencies in order to retrieve copies of Township records including certain supporting invoices, official's bonds, and contracts. In addition, as discussed in Finding No. 2006-002, the minutes for certain Township meetings could not be located.

We recommend the Board of Trustees adopt a formal policy in regards to the maintenance and availability of public records. This policy should be in accordance with the applicable sections of the Ohio Rev. Code noted above and address, but not necessarily be limited to, items such as what records are to be made available to the public, times when records may be reviewed, and the costs to be charged for any reproduction of Township records.

Officials' Response

The Trustees will adopt a policy in regards to public records and also a retention policy. Township management will consult with the Auditor of State concerning this issue.

FINDING NUMBER 2006-010

Noncompliance Citation

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Ohio Rev. Code Section 133.22 allows a subdivision to issue anticipatory securities. Ohio Rev. Code Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision. Ohio Rev. Code Section 133.15 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct. Ohio Rev. Code Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

On January 27, 2007, the Board of Trustees and Fiscal Officer signed a promissory note with North Valley Bank in the amount of \$40,663 to repay a promissory note, due on December 31, 2006, used to finance the Township garage. This note did not meet the requirements set forth in Ohio Revised Code Chapter 133.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships. We recommend the Board of Trustees consult with the Township's legal counsel prior to the Township incurring future debt.

Officials' Response

The Township will consult with Legal Counsel prior to any future debt incurred by the Township.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-011

Material Weakness – Monitoring of Financial Activity

A well-designed system of internal control will include monitoring of financial information and reports by the governing board in order to compensate for any lack of segregation of duties.

The size of the Township's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is, therefore, important that the Board of Trustees monitor financial activity closely.

During the audit period, there was no documentation of the extent to which the Trustees reviewed financial information to monitor the financial activity of the Township. The lack of monitoring by the Board of Trustees was evidenced by unexplained significant reconciling items being included on the Township's bank reconciliations and budgetary information not being posted to the accounting system.

Failure to monitor financial activity resulted in unexplained long outstanding reconciling items not being investigated and corrected in a timely fashion. This contributed, in part, to the Township incurring increased audit costs for these items to be investigated so that the necessary assurances could be gained over the Township's financial statements. In addition, this could result in additional errors and/or irregularities occurring and remaining undetected for an extended period of time.

We recommend the Board of Trustees review monthly bank reconciliations. The completion of this procedure should be noted in the Township's minutes and documented by the Trustees' signatures or initials and date and maintained on file as evidence of this review. Additionally, the Board of Trustees should carefully review and approve pertinent financial information, such as the cash journal, appropriation ledger, receipts ledger, etc., on a monthly basis, and make appropriate inquiries to help determine the reasonableness, accuracy, and continued integrity of financial information.

Officials' Response

The trustees will monitor monthly activity more closely.

FINDING NUMBER 2006-012

Material Weakness – Bank Reconciliations

In order to ensure the completeness over the Township's financial statements and reports, bank reconciliations should be performed on a monthly basis. The monthly bank reconciliation process should include the investigation and resolution of any variances between amounts reported by the bank and amounts posted to the Township's accounting system.

The Township's bank reconciliations during the audit period contained significant reconciling factors labeled as "other adjusting factors." These factors ranged from \$875 up to \$10,083 on the Township's monthly reconciliations. The Fiscal Officer failed to follow up on these variances each month and, therefore, differences between the Township's bank balance and book balance accumulated. Through additional audit procedures, we noted these variances were a result of transactions processed by the bank which were not properly posted to the Township's records. In addition, we noted outstanding checks were included on the Township's outstanding check listing which were dated in 2002 and 2004.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-012 (Continued)

Material Weakness – Bank Reconciliations (Continued)

The failure to investigate and identify variances and old reconciling items as part of the monthly reconciliation process could result in errors and/or irregularities occurring and remaining undetected. This also results in monthly financial reports being misleading due to these reports including the incorrect balances for each fund. During the current audit period, this resulted in significant audit adjustments being made to the Township's financial statements and also resulted in time spent by auditors in identifying and investigating these variances.

We recommend the Fiscal Officer perform bank reconciliations on a monthly basis. In order for the reconciliation process to be effective, variances should be promptly investigated and corrected as part of the reconciliation process. In addition, we recommend the Board of Trustees review the Township's bank reconciliations each month to monitor for unusual items and to ensure variances are corrected on a timely basis.

Officials' Response

Bank reconciliations will be monitored more closely and variances will be reconciled. Trustees will sign off on bank reconciliations.

FINDING NUMBER 2006-013

Material Weakness – On-behalf Payments

Auditor of State Bulletin 2000-008 requires that when a local government enters into an on-behalf-of program agreement with another local government, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. Local governments are required to account for and budget the related revenues and expenditures to the extent the local government has received benefit from the program. Each local government is then required to record a receipt and expenditure equal to the amounts disbursed by on-behalf-of the local government directly to the vendor.

During 2005, the Township received the benefit of a Community Development Block Grant project administered by Perry County that was disbursed directly from the County to the applicable contractors. The cash value of the benefit under this program was not recorded by the Township.

This resulted in actual cash receipts and disbursements being understated by \$38,000 on the Township's financial reports. An adjustment was agreed to by Township management and is reflected in the accompanying financial statements.

We recommend the Township record the cash value benefit of these types of programs, when the Township has entered into agreements for these sources of funds, as memorandum receipts and disbursements, in the year "on-behalf-of" disbursements are made.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-013 (Continued)

Material Weakness – On-behalf Payments (Continued)

Officials' Response

Memorandum receipts will be kept.

FINDING NUMBER 2006-014

Material Weakness – Classification of Debt Activity

The financial statements of the Township should summarize the transactions of the Township for the fiscal year by classes based upon the economic substance of the transactions. Therefore, activity related to the repayment of Township indebtedness should be classified separately from other disbursement transactions.

During 2005, the Township classified \$10,825 in loan payments related to a promissory note for the Township garage as public works expenditures and general government expenditures rather than as debt service principal and interest payments. During 2006, \$11,000 was classified as public works expenditures but should have been classified as debt service principal and interest payments.

This resulted in adjustments, to which Township management has agreed, being made and reflected in the accompanying financial statements. Failure to classify different classes of transactions separately could result in a reader of the financial statements not being able to correctly understand the complete financial operations of the Township.

We recommend debt payments be reflected separately in the Township's financial reports from other expenditure payments. In addition, we recommend the Fiscal Officer review the Ohio Township Handbook in order to determine the proper account coding for these types of transactions.

Officials' Response

Debt payments will be reflected separately. The fiscal officer will review the Ohio Township Handbook.

FINDING NUMBER 2006-015

Significant Deficiency – Supporting Documentation for Disbursements

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. This includes maintaining sufficient supporting documentation such as purchase orders, invoices, and vouchers for all non-payroll disbursements. In addition, the retention and disposal of public records must be in accordance with provisions of Ohio Revised Code Section 149.42 and records must be made available in accordance with Ohio Revised Code Section 149.43.

**PLEASANT TOWNSHIP
PERRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-015 (Continued)

Significant Deficiency – Supporting Documentation (Continued)

The Township's voucher packages filed by the Fiscal Officer were not assembled and maintained together. The duplicate copy of the check served as the voucher, but the supporting documentation was not attached to it, but filed separately from it.

As a result, it was difficult to determine if all supporting documentation was available for review. This resulted in a significant amount of audit time being required in order to determine the completeness of the supporting documentation received. During our audit of the Township's non-payroll disbursements system, we noted ten payments during 2005 amounting to \$2,217.15 and two payments during 2006 amounting to \$78 for which the Fiscal Officer could not locate an approved voucher, invoice, or other supporting documentation. In addition, the Fiscal Officer had to contact numerous vendors in order to obtain supporting documentation for certain disbursements. Furthermore, failure to maintain organized records resulted in the Township duplicating the payment of certain invoices, for which the Township was consequently issued a credit for subsequent purchases. Failure to maintain the appropriate supporting documentation could allow payments to be made for items not received and allow other errors or irregularities to occur and remain undetected. Also, as more fully explained in Finding No. 2006-009, failure to maintain documentation indicates noncompliance with Ohio Revised Code Sections 149.42 and 149.43.

We recommend supporting documentation be maintained by the Fiscal Officer in accordance with record retention policies for each non-payroll disbursement including a voucher with the original invoice attached, purchase order information and any other supporting documentation applicable to the disbursement. Vouchers should not be approved by the Board of Trustees unless the original invoice is attached in order to ensure amounts paid agree to the applicable supporting documentation and that supporting documentation is present.

Officials' Response

The fiscal officer has the 2007 and 2008 vouchers/checks stapled together with receipts.

**PLEASANT TOWNSHIP
PERRY 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>
2004-01	A finding for adjustment was issued as the Township advanced \$1,500 from the Gasoline Tax Fund to the General Fund contrary to Ohio Rev. Code Section 5705.10 and Auditor of State Bulletin 97-003.	Yes.	Corrected. The Fiscal Officer posted the repayment of \$1,500 from the General Fund to the Gasoline Tax Fund on December 8, 2007.



Mary Taylor, CPA
Auditor of State

PLEASANT TOWNSHIP

PERRY 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
AUGUST 19, 2008**