

**PLEASANT TOWNSHIP  
PERRY COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2009 – DECEMBER 31, 2010**

**Wolfe, Wilson, & Phillips, Inc.  
37 South Seventh Street  
Zanesville, Ohio 43701**





# Dave Yost • Auditor of State

Board of Trustees  
Pleasant Township  
P.O. Box 472  
Moxahala, Ohio 43761

We have reviewed the *Independent Auditors' Report* of Pleasant Township, Perry County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 Auditors' 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 Auditors' 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. Pleasant Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 14, 2011

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**PLEASANT TOWNSHIP  
PERRY COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.**  
**37 SOUTH SEVENTH STREET**  
**ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Pleasant Township, Perry County as of and for the years ended December 31, 2010 and 2009. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2010 and 2009. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ending December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pleasant Township as of December 31, 2010 and 2009, 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 and reserve for encumbrances of Pleasant Township, Perry County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 a report dated August 30, 2011, on our consideration of Pleasant Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
August 30, 2011



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**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, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 13,636	\$ 16,075	\$ 2,500	\$ 32,211
Licenses, Permits, and Fees	-	1,200	-	1,200
Intergovernmental	16,912	98,065	-	114,977
Earnings on Investments	200	208	-	408
Miscellaneous	1,202	210	-	1,412
<b>Total Cash Receipts</b>	<u>31,950</u>	<u>115,758</u>	<u>2,500</u>	<u>150,208</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	34,079	-	-	34,079
Public Safety	-	100	-	100
Public Works	-	117,840	-	117,840
Health	-	7,423	-	7,423
Capital Outlay	-	1,285	-	1,285
Debt Service:				
Redemption of Principal	-	24,663	-	24,663
Interest and Other Fiscal Charges	-	2,050	12	2,062
<b>Total Cash Disbursements</b>	<u>34,079</u>	<u>153,361</u>	<u>12</u>	<u>187,452</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	(2,129)	(37,603)	2,488	(37,244)
<b>Other Financing Receipts/(Disbursements)</b>				
Transfers In	-	87	-	87
Transfers Out	(87)	-	-	(87)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(87)</u>	<u>87</u>	<u>-</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	(2,216)	(37,516)	2,488	(37,244)
<b>Fund Cash Balances, January 1</b>	<u>(4,322)</u>	<u>150,124</u>	<u>94</u>	<u>145,896</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ (6,538)</u>	<u>\$ 112,608</u>	<u>\$ 2,582</u>	<u>\$ 108,652</u>
<b>Reserve For Encumbrances, December 31</b>	<u>\$ 2,167</u>	<u>\$ 5,418</u>	<u>\$ -</u>	<u>\$ 7,585</u>

See notes to financial statements.

**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, 2010**

	<b>Fiduciary Fund Type</b>
	<b>Private Purpose Trust</b>
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	\$ -
Total Non-Operating Cash Receipts	-
Net Receipts Over/(Under) Disbursements	-
Fund Cash Balances, January 1	527
<b>Fund Cash Balances, December 31</b>	<b>\$ 527</b>

See notes to financial statements.

**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, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 17,083	\$ 17,010	\$ -	\$ 34,093
Licenses, Permits, and Fees	-	1,340	-	1,340
Intergovernmental	16,306	95,943	-	112,249
Earnings on Investments	645	626	-	1,271
Miscellaneous	305	875	-	1,180
<b>Total Cash Receipts</b>	<u>34,339</u>	<u>115,794</u>	<u>-</u>	<u>150,133</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	33,266	-	-	33,266
Public Safety	-	18,038	-	18,038
Public Works	-	81,957	-	81,957
Health	-	9,429	-	9,429
Debt Service:				
Redemption of Principal	-	8,000	-	8,000
Interest and Other Fiscal Charges	-	1,690	-	1,690
<b>Total Cash Disbursements</b>	<u>33,266</u>	<u>119,114</u>	<u>-</u>	<u>152,380</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	1,073	(3,320)	-	(2,247)
<b>Other Financing Receipts/(Disbursements)</b>				
Advances In	400	-	-	400
Advances Out	-	(400)	-	(400)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>400</u>	<u>(400)</u>	<u>-</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	1,473	(3,720)	-	(2,247)
<b>Fund Cash Balances, January 1</b>	<u>(5,795)</u>	<u>153,844</u>	<u>94</u>	<u>148,143</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ (4,322)</u>	<u>\$ 150,124</u>	<u>\$ 94</u>	<u>\$ 145,896</u>
<b>Reserve For Encumbrances, December 31</b>	<u>\$ 6,847</u>	<u>\$ 13,492</u>	<u>\$ -</u>	<u>\$ 20,339</u>

See notes to financial statements.

**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, 2009**

	<b>Fiduciary Fund Type</b>
	<b>Private Purpose Trust</b>
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	\$ -
Total Non-Operating Cash Receipts	-
Net Receipts Over/(Under) Disbursements	-
Fund Cash Balances, January 1	527
<b>Fund Cash Balances, December 31</b>	<b>\$ 527</b>

See notes to financial statements.

**PLEASANT TOWNSHIP  
PERRY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Township of Pleasant, Perry County, is a body politic and corporate 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 and a publicly elected Fiscal Officer. The Township provides general governmental services including road and bridge maintenance, cemetery maintenance, fire protection services and emergency medical services. The Township contracts with the City of New Lexington and the Village of Corning to provide fire protection and emergency medical services.

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

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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 exceeding the member's deductible.

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 cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report expenditures when a commitment is made (i.e., when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

All funds are maintained in an interest-bearing checking account.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

**PLEASANT TOWNSHIP  
PERRY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Continued)**

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**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 Fund:

**Gasoline Tax Fund** – This fund receives gasoline tax receipts for constructing, maintaining and repairing Township roads and bridges.

**Road and Bridge Fund** – This fund receives property tax money levied for the funding of the repair of the Township’s roads and bridges.

**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.

**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 (except certain agency funds) be budgeted annually.

**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. Unencumbered appropriations lapse at year-end.

**PLEASANT TOWNSHIP  
PERRY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 approve estimated resources.

**Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated in the subsequent year.

A Summary of 2010 and 2009 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting

**2. EQUITY IN POOLED CASH**

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

	2010	2009
Demand Deposits	<u>\$ 109,179</u>	<u>\$ 146,423</u>

**Deposits:**

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



**PLEASANT TOWNSHIP  
PERRY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2010 and 2009 was as follows:

**2010 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 34,820	\$ 31,950	\$ (2,870)
Special Revenue	147,341	115,845	(31,496)
Debt Service	2,626	2,500	(126)
Trust	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 184,787</u>	<u>\$ 150,295</u>	<u>\$ (34,492)</u>

**2010 Budgeted vs. Actual Budgetary Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ -	\$ 36,333	\$ (36,333)
Special Revenue	-	158,779	(158,779)
Debt Service	-	12	12
Trust	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 195,124</u>	<u>\$ (195,124)</u>

**2009 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 37,410	\$ 34,339	\$ (3,071)
Special Revenue	125,326	115,794	(9,532)
Debt Service	-	-	-
Trust	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 162,736</u>	<u>\$ 150,133</u>	<u>\$ (12,603)</u>

**2009 Budgeted vs. Actual Budgetary Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 53,955	\$ 40,113	\$ 13,842
Special Revenue	258,534	132,606	125,928
Debt Service	2,600	-	2,600
Trust	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 315,089</u>	<u>\$ 172,719</u>	<u>\$ 142,370</u>

**PLEASANT TOWNSHIP  
PERRY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY (CONTINUED)**

Contrary to ORC Section 5705.36, the Township had funds in 2010 and 2009 in which appropriations were greater than unencumbered balance plus actual receipts which should have resulted in getting a new certificate of estimated resources.

Contrary to ORC Section 5705.38, in 2010, the Township failed to adopt and certify permanent appropriations resulting in all Township expenditures exceeding appropriations.

Contrary to ORC Section 5705.39, in 2009, the Township had appropriations that exceeded estimated resources in several funds.

Contrary to ORC Section 5705.41 (B), in 2010, all expenditures made by the Township exceeded appropriations in all funds.

Contrary to ORC Section 5705.41(D), the Township had expenditures where the invoice was dated prior to the fiscal certificate.

Contrary to ORC Section 5705.10(H), the Township's General Fund had a negative balance for 2010 and 2009.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding 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 payments, 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 June 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. RETIREMENT SYSTEMS**

The Township's Trustees, Clerk and other employees of the Township belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, members of PERS contributed 10.0% and 10.0% of their gross salaries, respectively. The Township contributed an amount equal to 14.00% and 14.00% of participants' gross salaries, respectively. The Township has paid all contributions required through December 31, 2010.

**PLEASANT TOWNSHIP  
PERRY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**6. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. American Risk Pool Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$ 35,855,252	\$ 38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Retained Earnings	<u>\$ 25,190,528</u>	<u>\$ 26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$5,444.

Based on discussion 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, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**6. RISK MANAGEMENT (Continued)**

<u>Contributions to OTARMA</u>	
2008	\$2,073
2009	2,476
2010	2,722

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**7. DEBT**

The garage note was paid off in 2010 and there was no outstanding debt at December 31, 2010.

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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

We have audited the financial statements of Pleasant Township, Perry County, Ohio, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 30, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Pleasant Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2010-001 to 2010-003, 2010-005, and 2010-007 to 2010-009 described in the accompanying schedule of findings to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pleasant Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed five instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-001 to 2010-006.

We noted certain immaterial instances of noncompliance that we have reported to the management of Pleasant Township in a separate letter dated August 30, 2011.

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

This report is intended for the information of the Township's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
August 30, 2011

**PLEASANT TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010**

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

**FINDING NUMBER 2010-001**

**Noncompliance Citation/Material Weakness**

**Ohio Rev. Code Section 5705.38 (A)** states, in part, 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<sup>st</sup>. 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 appropriations from each fund do not exceed the total official estimate or amended official estimate.

The minutes were silent regarding the adoption of an annual appropriation measure for 2010. 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:

<u>Fund</u>	<u>Appropriations Posted to the Accounting System</u>
For the Year Ending December 31, 2010:	
General Fund	\$ 44,370
Motor Vehicle License Tax Fund	15,250
Gasoline Tax Fund	156,500
Road and Bridge Fund	9,070
Cemetery Fund	8,960
Special Levy – EMS Fund	35,000
Special Levy – Fire Fund	12,200
Miscellaneous Special Revenue Fund	10,000
General Note Retirement Fund	2,500
Capital Projects Fund	-

**PLEASANT TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010  
(Continued)**

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

**FINDING NUMBER 2010-001 (Continued)**

Without legally adopted appropriations, noncompliance with Ohio Rev. Code Section 5705.41(B) occurred as more fully discussed in Finding No. 2010-003.

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.

**Client Response:** The Fiscal Officer will make sure that the appropriation measures are stated in the minutes as well as filed with the County Auditor. The Fiscal Officer will try to have the appropriation passed on time in the future.

**FINDING NUMBER 2010-002**

**Noncompliance Citation/Material Weakness**

**Ohio Rev. Code Section 5705.39** states, in part, that total appropriations from each fund shall not exceed the total estimated resources. 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.

In 2009, appropriations exceeded estimated resources in the following funds: in the General Fund by \$22,340; in the EMS Fund by \$2,170; in the Miscellaneous Special Revenue Fund by \$852; in the Bond Obligation Fund by \$2,506 and in the Capital Projects Fund by \$2,500.

We recommend the Township Fiscal Officer and Board of Trustees compare appropriations to estimated resources on a monthly basis to verify that appropriations do not exceed estimated resources.

**Client Response:** The Fiscal Officer and Trustees will monitor appropriations closer in the future.



**PLEASANT TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010  
(Continued)**

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

**FINDING NUMBER 2010-003**

**Noncompliance Citation/ Material Weakness**

**Ohio Rev. Code Section 5705.41 (B)** prohibits a subdivision or taxing authority from expending money unless it has been appropriated. During 2010 all Township funds had expenditures which exceeded approved appropriations at the legal level of control.

The Township did not formally approve and certify their appropriation measure for 2010, and did not file the appropriation measure with the Perry County Auditor in 2010; therefore expenditures in all funds exceeded appropriations by \$187,539 in 2010.

As discussed in Finding No. 2010-001, appropriations should be legally adopted by the Board of Trustees each fiscal year. The Township 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.

**Client Response:** The Fiscal Officer will make sure the appropriations are adopted legally and in a timely manner.

**FINDING NUMBER 2010-004**

**Noncompliance Citation**

**Ohio Revised 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.

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.

**PLEASANT TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010  
(Continued)**

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

**FINDING NUMBER 2010-004 (Continued)**

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.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Township did not certify the availability of funds prior to purchase commitment for 50.0% of the expenditures tested for fiscal year 2010 and 44.4% tested for fiscal year 2009. 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.

**Client Response:** The Fiscal Officer will try to improve on completing fiscal certificates more timely.

**PLEASANT TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010  
(Continued)**

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

**FINDING NUMBER 2010-005**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 5704.10(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's fund.

As of December 31, 2010 and 2009, the Township's General Fund had negative fund balances of \$4,322 and \$5,795, respectively.

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 monies 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 a cash advance.

**Client Response:** The Fiscal Officer will review Auditor of State Audit Bulletin 1997-003.

**FINDING NUMBER 2010-006**

**Noncompliance Citation**

Ohio Rev. Code Section 149.43(B) requires, in part, that all public records are 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.

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 budget documents, official's bonds, and contracts.

**PLEASANT TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010  
(Continued)**

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

**FINDING NUMBER 2010-006 (CONTINUED)**

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.

**Client 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 2010-007**

**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 to determine the reasonableness, accuracy, and continued integrity of financial information.

**Client Response:** The Trustees will monitor monthly activity more closely.

**PLEASANT TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010  
(Continued)**

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

**FINDING NUMBER 2010-008**

**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 \$142 up to \$7,634 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 accounting system. In addition, we noted outstanding checks were included on the Township's outstanding check listing which were dated as far back as 2002.

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 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.

**Client Response:** Bank reconciliations will be monitored more closely and variances will be reconciled. Trustees will sign off on the bank reconciliations.

**PLEASANT TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010  
(Continued)**

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

**FINDING NUMBER 2010-009**

**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 2010 and 2009, the Township classified loan payments related to a promissory note for the Township garage as public works expenditures and general government expenditures rather than as 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.

**Client Response:** Debt payments will be reflected separately. The Fiscal Officer will review the Ohio Township Handbook.

**PLEASANT TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2008-001	ORC 5705.38(A) Passing Appropriation Measures	No	Partially Corrected - Refer to Finding 2010-001
2008-002	ORC 5705.41(B) Expenditures Exceeding Appropriations	No	Not Corrected - Refer to Finding 2010-003
2008-003	ORC 5705.41(D)(1) Fiscal Certificates Dated After Invoices	No	Not Corrected - Refer to Findng 2010-004
2008-004	ORC 5705.10(H) Negative Fund Balances	No	Not Corrected - Refer to Findng 2010-005
2008-005	ORC 149.43(B) Public Records Policy	No	Not Corrected - Refer to Finding 2010-006
2008-006	Monitoring of Financial Activity	No	Not Corrected - Refer to Finding 2010-007
2008-007	Bank Reconciliations	No	Not Corrected - Refer to Finding 2010-008
2008-008	Classification of Debt Activity	No	Not Corrected - Refer to Finding 2010-009

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# Dave Yost • 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  
DECEMBER 27, 2011**