

**PENN TOWNSHIP  
MORGAN COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2010 – DECEMBER 31, 2011**

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





# Dave Yost • Auditor of State

Board of Trustees  
Penn Township  
460 W. Shrovers Road  
Stockport, Ohio 43787

We have reviewed the *Independent Auditors' Report* of Penn Township, Morgan County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2010 through December 31, 2011. 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. Penn Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 9, 2012

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**PENN TOWNSHIP  
MORGAN COUNTY**

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

**INDEPENDENT AUDITORS' REPORT**

Penn Township  
Morgan County  
460 W. Shrivvers Road  
Stockport, Ohio 43787

To the Board of Trustees:

We have audited the accompanying financial statements of Penn Township, Morgan County as of and for the years ended December 31, 2011 and 2010. 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 (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 for 2011 and 2010, GAAP require presenting entity wide statements and also to present its 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 governments to reformat their statements. The Township has elected not to follow GAAP 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 paragraph, the financial statements referred to above for the years ending December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Penn Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended..

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Penn Township, Morgan County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 1, during 2011 Penn Township, Morgan County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2012, on our consideration of Penn 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  
June 27, 2012



**PENN TOWNSHIP  
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 13,440	\$ 9,353	\$ 22,793
Intergovernmental	10,449	99,589	110,038
Earnings on Investments	3,517	1,758	5,275
Miscellaneous	1,000	1,075	2,075
<b>Total Cash Receipts</b>	<u>28,406</u>	<u>111,775</u>	<u>140,181</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	24,599	-	24,599
Public Safety	-	9,205	9,205
Public Works	-	116,246	116,246
Health	4,148	5,258	9,406
Capital Outlay	-	450	450
Debt Service:			
Redemption of Principal	3,341	-	3,341
Interest and Other Fiscal Charges	324	-	324
<b>Total Cash Disbursements</b>	<u>32,412</u>	<u>131,159</u>	<u>163,571</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	(4,006)	(19,384)	(23,390)
<b>Fund Cash Balances, January 1</b>	<u>11,437</u>	<u>94,024</u>	<u>105,461</u>
<b>Fund Cash Balances, December 31, 2011</b>			
Restricted	-	74,640	74,640
Uassigned	7,431	-	7,431
<b>Fund Cash Balances, December 31</b>	<u>\$ 7,431</u>	<u>\$ 74,640</u>	<u>\$ 82,071</u>

See notes to financial statements.

**PENN TOWNSHIP  
MORGAN 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>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 15,964	\$ 18,036	\$ 34,000
Intergovernmental	11,489	94,057	105,546
Earnings on Investments	3,957	1,978	5,935
Miscellaneous	581	-	581
<b>Total Cash Receipts</b>	<u>31,991</u>	<u>114,071</u>	<u>146,062</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	23,049	-	23,049
Public Safety	-	9,210	9,210
Public Works	-	87,859	87,859
Health	4,070	7,980	12,050
Capital Outlay	-	24,962	24,962
Debt Service:			
Redemption of Principal	2,488	-	2,488
Interest and Other Fiscal Charges	754	-	754
<b>Total Cash Disbursements</b>	<u>30,361</u>	<u>130,011</u>	<u>160,372</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	1,630	(15,940)	(14,310)
<b>Fund Cash Balances, January 1</b>	<u>9,807</u>	<u>109,964</u>	<u>119,771</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 11,437</u>	<u>\$ 94,024</u>	<u>\$ 105,461</u>

See notes to financial statements.

**PENN TOWNSHIP  
MORGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Township of Penn, Morgan 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 road and bridge maintenance, cemetery maintenance, fire protection. The Township contracts with the Village of Pennsville and M & M Fire Department to provide fire protection and emergency medical 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 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 cash is 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:

**PENN TOWNSHIP  
MORGAN 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 Funds:

**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 for the construction, repair and maintenance of Township roads.

**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.

**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 2011 and 2010 budgetary activity appears in Note 4.

**PENN TOWNSHIP  
MORGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** – The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Restricted** – Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** – The Board of Trustees can *commit* via formal action (resolution). The Township must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board of Trustees or a Township official delegated that authority by ordinance, or by State Statute.

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**H. 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

**PENN TOWNSHIP  
MORGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**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:

	2011	2010
Demand Deposits	\$ 82,071	\$ 105,461
	\$ 82,071	\$ 105,461

**Deposits:**

Deposits are insured by the Federal Depository Insurance Corporation.

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE**

Last audit period the Township reported fund financial statements by fund type using the cash basis of accounting presenting each major fund in a separate column with non-major funds aggregated and presented in a single column. This audit period the Township has implemented the cash basis of accounting. The fund financial statements now present each fund type in a separate column under the regulatory basis of accounting as prescribed by the State Auditor's Office. There was no restatement of fund equity due to this change.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2011 and 2010 was as follows:

**2011 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ -	\$ 28,406	\$ (28,406)
Special Revenue	-	111,775	(111,775)
Total	\$ -	\$ 140,181	\$ (140,181)

**2011 Budgeted vs. Actual Budgetary Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 68,500	\$ 32,412	\$ 36,088
Special Revenue	203,575	131,159	72,416
Total	\$ 272,075	\$ 163,571	\$ 108,504

**PENN TOWNSHIP  
MORGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**4. BUDGETARY ACTIVITY (Continued)**

**2010 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 18,258	\$ 31,991	\$ 13,733
Special Revenue	<u>108,524</u>	<u>114,071</u>	<u>5,547</u>
Total	<u>\$ 126,782</u>	<u>\$ 146,062</u>	<u>\$ 19,280</u>

**2010 Budgeted vs. Actual Budgetary Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 50,200	\$ 30,361	\$ 19,839
Special Revenue	<u>217,000</u>	<u>130,011</u>	<u>86,989</u>
Total	<u>\$ 267,200</u>	<u>\$ 160,372</u>	<u>\$ 106,828</u>

Contrary to ORC 5705.39, the Township had funds with appropriations greater than estimated resources.

Contrary to ORC 5705.36, the Township had several funds in which appropriations exceeded actual receipts plus unencumbered balance.

Contrary to ORC 5705.41(D), the Township did not certify funds available for expenditure for disbursements.

**5. 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.

**PENN TOWNSHIP  
MORGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**6. 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 2011 and 2010, members of PERS contributed 10.0% of their gross salaries, respectively. The Township contributed an amount equal to 14.00% of participants’ gross salaries, respectively. The Township has paid all contributions required through December 31, 2011.

**7. DEBT**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest rate
Citizens National Bank – Demolition loan	\$ 2,126	3.65%
Total	\$ 2,126	

A loan was issued to finance the demolition of the old school building in the township in 2009 for \$20,000. The Township makes monthly payments. The note is collateralized by the townships equipment.

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

Year Ended December 31	Truck
2012	\$ 2,432
Total	\$ 2,432



**PENN TOWNSHIP  
MORGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**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. American Risk Pooling 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 \$100,000 for property claims.

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

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, 2010 and 2009, the latest information available.

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

At December 31, 2010 and 2009, respectively, liabilities noted above include approximately \$9.9 million and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 million 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. The Township's share of these unpaid claims collectible in future years is approximately \$6,900.

**PENN TOWNSHIP  
MORGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**8. RISK MANAGEMENT(Continued)**

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. The Townships contributions to OTARMA for the past three years are as follows:

<u>Contributions to OTARMA</u>	
2011	\$3,450
2010	2,719
2009	3,366

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

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**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.**

Penn Township  
Morgan County  
460 W. Shrivvers Road  
Stockport, Ohio 43787

We have audited the financial statements of Penn Township, Morgan County as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 27, 2012, 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 also noted the Township adopted Governmental Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 Penn 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 expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 2011-03, 2011-04 and 2011-05 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Penn 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 have 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 such an opinion. The results of our tests disclosed three 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 as items 2011-01, 2011-02 and 2011-05.

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

We did note certain matters not requiring inclusion in this report that we reported to the management of Penn Township in a separate letter dated June 27, 2012.

We intend this report solely for the information and use of the Township's management, Auditor of State, and others within the Township. We intend it for no one other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
June 27, 2012

**PENN TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

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

**FINDING NUMBER 2011-01 - Noncompliance**

Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund along with any unencumbered balance existing at the end of the preceding year.

No certificate was available for or presented during audit for 2011. Also no amended certificate of estimated resources was made available for 2011 indicating the original certificate was not completed and filed.

We recommend that the fiscal officer complete the certificate on or about the first day of each fiscal year.

Client Response: We did not receive a response from officials to this finding.

**FINDING NUMBER 2011-02 - Noncompliance**

Ohio Revised Code Section 5705.39 provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure shall become 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 Township had appropriations in excess of estimated resources during 2011 in all the funds as a certificate of estimated resources was not received.

We recommend the Township monitor receipts and request increased or reduced certificates as necessary. Further, we recommend the Township not appropriate more than the total estimated resources as certified.

Client Response: We did not receive a response from officials to this finding.

**FINDING NUMBER 2011-03 – Material Weakness**

During 2011 and 2010, debt payments were posted to general government in the General Fund instead of breaking the payment down between principal and interest. Adjustments have been made to these financial statements to appropriately reflect the above transactions.

We recommend that the Township post any debt payments between principal and interest.

Client Response: We did not receive a response from officials to this finding.

**PENN TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

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

**FINDING NUMBER 2011-04 – Material Weakness**

During 2011 and 2010 expenditures of the MVL Tax Fund and Gasoline Tax Fund were coded to General Government instead of Public Works. This was due to the fact the Township improperly assigned account numbers to those disbursements. In 2010 the Township coded all Road and Bridge Funds to Public Safety instead of Public Works.

During 2011 and 2010 receipts were posted to the MVL Tax Fund as Property Taxes when the proper classification was Intergovernmental receipts. Amounts posted to the Fire Fund which were actually property taxes were posted to Charges for services.

Adjustments have been made to these financial statements to appropriately reflect the above transactions.

We recommend that the Township use the Auditor of States Ohio Township Handbook to properly set up accounts in UAN using the correct codes for receipts and disbursements. We recommend that the Township post the proper amounts to the UAN system so that accurate reports will be used for Township business.

Client Response: We did not receive a response from officials to this finding.

**FINDING NUMBER 2011-05 - Noncompliance and Material Weakness**

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of Fiscal Officer of the subdivision. The Fiscal Officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification was not obtained for 89.4% in 2011 and 92.3% in 2010 of the expenditures tested.

The Fiscal Officer should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of trustees against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. More than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

Also, as an alternative, the Township can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the Fiscal Officer to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Fiscal Officer without subsequent authorization from the Trustees. However, then and now certificates issued by the Fiscal Officer over \$3,000, must be authorized by the Trustees within thirty days after payment.

Client Response: We did not receive a response from officials to this finding.

**PENN TOWNSHIP  
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2007-01	ORC 5705.41(D) Invoice dated prior to fiscal certification	No	Not Corrected: Cited in current report as finding 2011-05.

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# Dave Yost • Auditor of State

**PENN TOWNSHIP**

**MORGAN 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 21, 2012**