
**PLEASANT TOWNSHIP
MADISON COUNTY**

**REGULAR AUDIT
YEARS ENDED DECEMBER 31, 2006 & 2005**

Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS



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Mary Taylor, CPA

Auditor of State

Board of Trustees
Pleasant Township
84 N. London Street
Mt. Sterling, Ohio 43143

We have reviewed the *Report of Independent Auditor* of Pleasant Township, Madison County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2005 through December 31, 2006. 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 *Report of Independent Auditor* 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 *Report of Independent Auditor* 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 18, 2007

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**PLEASANT TOWNSHIP
MADISON COUNTY, OHIO**

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September 4, 2007

Pleasant Township
Madison County
84 N. London St.
Mt. Sterling, OH 43143

Report of Independent Auditor

We have audited the accompanying financial statements of Pleasant Township, Madison 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.

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 the 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 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 2006 and 2005, 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 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 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 do not present fairly for the years ended December 31, 2006 and 2005, 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, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2006 and 2005, 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 our report dated September 4, 2007, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine 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 considered in assessing the results of our audit.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

**PLEASANT TOWNSHIP
MADISON COUNTY, OHIO
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>Memorandum Only</u>
CASH RECEIPTS	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Taxes	\$ 24,586	\$ 2,510	\$ 27,096
Intergovernmental Receipts	34,681	86,813	121,494
Special Assesments	57	-	57
Earnings on Investments	319	535	854
Other Revenue	<u>825</u>	<u>315</u>	<u>1,140</u>
TOTAL CASH RECEIPTS	60,468	90,173	150,641
CASH DISBURSEMENTS			
General Government	61,445	26,462	87,907
Public Safety	-	1,390	1,390
Public Works	-	21,360	21,360
Health	-	-	-
Capital Outlay	<u>-</u>	<u>7,184</u>	<u>7,184</u>
TOTAL CASH DISBURSEMENTS	<u>61,445</u>	<u>56,396</u>	<u>117,841</u>
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	(977)	33,777	32,800
Fund Cash Balances, January 1, 2006	<u>26,475</u>	<u>68,737</u>	<u>95,212</u>
Fund Cash Balances, December 31, 2006	<u>\$ 25,498</u>	<u>\$ 102,514</u>	<u>\$ 128,012</u>

See accompanying notes to the financial statements.

**PLEASANT TOWNSHIP
MADISON COUNTY, OHIO
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>General</u>	<u>Special Revenue</u>	<u>Memorandum Only Total</u>
CASH RECEIPTS			
Taxes	\$ 26,053	\$ 231	\$ 26,284
Intergovernmental Receipts	36,737	85,687	122,424
Earnings on Investments	383	509	892
Other Revenue	<u>5,293</u>	<u>2,105</u>	<u>7,398</u>
TOTAL CASH RECEIPTS	68,466	88,532	156,998
CASH DISBURSEMENTS			
General Government	77,839	17,675	95,514
Public Safety	-	-	-
Public Works	-	58,474	58,474
Health	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CASH DISBURSEMENTS	<u>77,839</u>	<u>76,149</u>	<u>153,988</u>
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	(9,373)	12,383	3,010
Fund Cash Balances, January 1, 2005	<u>35,848</u>	<u>56,354</u>	<u>92,202</u>
Fund Cash Balances, December 31, 2005	<u>\$ 26,475</u>	<u>\$ 68,737</u>	<u>\$ 95,212</u>

See accompanying notes to the financial statements.

**PLEASANT TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

Pleasant Township, Madison County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides general governmental services including road and bridge maintenance and cemetery maintenance. The Township contracts with the Tri-County Joint Fire District to provide fire protection services and Sterling Joint Ambulance District to provide emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

- **Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. 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 prescribed or permitted by the Auditor of State.

- **Cash and Investments**

Certificates of deposit are valued at cost.

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

- **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:

- **General Fund** - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Special Revenue Funds** - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**PLEASANT TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Fund Accounting (Continued)**

Fire District Fund - This fund receives money from property taxes for purchasing fire equipment and vehicles and providing emergency fire services.

Miscellaneous Special Revenue Fund – This fund received interest earned on a principal amount of which both are expendable.

- **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

- **Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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.
- **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.
- **Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled and re-appropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

- **Property, Plant and Equipment**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 108,012	\$ 75,212
Certificates of Deposit	<u>20,000</u>	<u>20,000</u>
Total Deposits and Investments	<u>\$ 128,012</u>	<u>\$ 95,212</u>

**PLEASANT TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits

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

3. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted	Actual	Variance
General	\$ 65,270	\$ 60,468	\$ (4,802)
Special Revenue	86,348	90,173	3,825
Total	<u>\$ 151,618</u>	<u>\$ 150,641</u>	<u>\$ (977)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 172,185	\$ 61,445	\$ 110,740
Special Revenue	146,053	56,396	89,657
Total	<u>\$ 318,238</u>	<u>\$ 117,841</u>	<u>\$ 200,397</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted	Actual	Variance
General	\$ 155,896	\$ 68,466	\$ (87,430)
Special Revenue	106,791	88,532	(18,259)
Total	<u>\$ 262,687</u>	<u>\$ 156,998</u>	<u>\$ (105,689)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 106,948	\$ 77,839	\$ 29,109
Special Revenue	149,600	76,149	73,451
Total	<u>\$ 256,548</u>	<u>\$ 153,988</u>	<u>\$ 102,560</u>

Contrary to Ohio law, the Township did not obtain an amended certificate of estimated resources. In addition, appropriations were authorized which exceeded estimated resources. Also contrary to Ohio law, the Township was not properly certifying expenditures.

**PLEASANT TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the 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.

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.

Public utilities are also assessed on personal and real property located within the Township.

5. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEMS

The Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 9.0% and 8.5% of their gross salaries for the years ended December 31, 2006 and 2005, respectively. The Township contributed an amount equal to 13.7% and 13.55% of participants' gross salaries for the years ended December 31, 2006 and 2005, respectively. The Township has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

• **Risk Pool Membership**

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.

**PLEASANT TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

6. RISK MANAGEMENT (continued)

- **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 or \$3,000,000 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.

- **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 (the latest information available):

	<u>2006</u>	<u>2005</u>
<u>Casualty Coverage</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>		
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>

**PLEASANT TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

6. RISK MANAGEMENT (continued)

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 2 x the most recent annual premium. 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.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.

7. JOINTLY GOVERNED ORGANIZATION S

The Pleasant/Darby Joint Cemetery provides ground maintenance, opening and closing of graves and sales of burial lots for Pleasant and Darby Townships. An appointed three-member Board of Trustees directs the cemetery. One member is appointed by Pleasant Township, one member by Darby Township and the third member is appointed by the two members that are appointed by the member Townships.

The Sterling Joint Ambulance District (the District) provides ambulance services within the District. The District is directed by an appointed eight-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are Stokes Township, Village of South Solon, Range Township, Village of Midway, Pleasant Township, Village of Mount Sterling, Darby Township, and Monroe Township.

The Tri-County Joint Fire District, Madison County, is directed by an appointed five-member Board of Trustees. The Board is appointed by the Village of Mount Sterling, Madison County; Pleasant Township, Madison County; Darby Township, Madison County; and Madison County, Fayette County. These entities also provide funding to meet the District's operations cost under the agreement which established the District.

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September 4, 2007

Pleasant Township
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84 N. London St.
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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

We have audited the accompanying financial statements of Pleasant Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 4, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audits 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 of the financial statements, we considered the Township's internal control over financial reporting as a basis for designing our auditing 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 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 over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 entity'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 a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2006-004 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 considered to be material weaknesses. However, we consider item 2006-004 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 2006-001, 2006-002 and 2006-003.

We noted certain matters that we reported to management of the Township in a separate letter dated September 4, 2007.

The 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 Township's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management and Township Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



**PLEASANT TOWNSHIP
MADISON COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

**FINDING 2006-001- Estimated Resources
Material Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources or reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

In 2005, actual receipts were significantly less than estimated receipts. No estimated resources were certified for the expendable trust fund for either 2006 or 2005.

The Township Trustees and Fiscal Officer should monitor budget versus actual activity on a monthly basis to identify whether budgetary amendments are necessary.

Auditee's Response: The Fiscal Officer and Trustees will monitor the budgeted versus actual revenues periodically to update as needed.

**FINDING 2006-002- Appropriations Limited by Estimated Resources
Material Noncompliance Citation**

Ohio Rev. Code Section 5705.39 provides that the total appropriation from each fund shall not exceed the total estimated resources. Also, no appropriation measure is to 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.

In 2006, the appropriations exceeded estimated resources in both the General and Special Revenue Fund Types. In 2005, various Special Revenue funds had appropriations that exceeded estimated resources.

Auditee's Response: The Fiscal Officer and Trustees will more closely monitor the budget.

**FINDING 2006-003- Purchase Orders
Material Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**PLEASANT TOWNSHIP
MADISON COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

FINDING 2006-003- Purchase Orders (Continued)

Material Noncompliance Citation

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirements for approval of expenditures by the taxing authority.

Several transactions during the audit period were not properly certified, due to the date of certification and the purchase orders not being signed by the Fiscal Officer.

We recommend the Township properly certify expenditures. Blanket certificates can 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 Board of Trustees against any specific line item appropriation account over a period not running beyond the end of the current fiscal year. A regular purchase order should be issued for larger and/or one time purchases. Whether a purchase order or blanket certificate is used, it should be certified before the actual purchases are made. A "Then and Now" certificate can be used for those purchases not receiving prior certification.

In addition, it was noted that the Board of Trustees was not consistently authorizing purchase orders during both 2006 and 2005. This is an important monitoring internal control that partially compensates for the lack of segregation of duties. Purchase orders should be authorized by the Board of Trustees at regularly scheduled meetings

Auditee's Response: Fiscal Officer and Trustees will be more vigilant in the proper use of purchase orders.

FINDING 2006-004- Maintenance of Records

Material Weakness

The Township could not provide invoices or other supporting documentation for 12% of the disbursements selected for examination. Also, cancelled checks were not maintained for 15% of the disbursements selected for examination. The internal control procedure of maintaining adequate record of all disbursements ensures that Township funds are utilized for proper public purposes. All invoices, vendor statements, reimbursement requests, cancelled checks and other support for disbursements should be maintained in their entirety in an orderly manner.

Auditee's Response: The Fiscal Officer will give added attention to record maintenance.



Mary Taylor, CPA
Auditor of State

PLEASANT TOWNSHIP

MADISON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2007**