

**PLEASANT TOWNSHIP
PERRYCOUNTY**

AUDIT REPORT

JANUARY 1, 2011 - DECEMBER 31, 2012

**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, 2011 through December 31, 2012. 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.

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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 2, 2013

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**PLEASANT TOWNSHIP
PERRY COUNTY
JANUARY 1, 2011 - DECEMBER 31, 2012**

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

INDEPENDENT AUDITORS' REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Pleasant Township, Perry County, as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Pleasant Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Pleasant Township, Perry County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of a Matter

As discussed in Note 3 to the financial statements, during 2011, the Township adopted new accounting guidance in Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2013, on our consideration of the Township of Senecaville'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 internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
August 23, 2013

**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, 2012**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 16,257	\$ 17,123	\$ 2,500	\$ 35,880
Licenses, Permits, and Fees	-	1,200	-	1,200
Intergovernmental	15,088	90,177	-	105,265
Earnings on Investments	99	9	-	108
Miscellaneous	1,093	20,432	-	21,525
Total Cash Receipts	<u>32,537</u>	<u>128,941</u>	<u>2,500</u>	<u>163,978</u>
Cash Disbursements:				
Current:				
General Government	24,602	-	-	24,602
Public Safety	-	90	-	90
Public Works	-	114,355	-	114,355
Health	-	3,941	-	3,941
Debt Service:				
Redemption of Principal	1,512	-	-	1,512
Interest and Other Fiscal Charges	521	-	-	521
Total Cash Disbursements	<u>26,635</u>	<u>118,386</u>	<u>-</u>	<u>145,021</u>
Total Cash Receipts Over/(Under) Cash Disbursements	5,902	10,555	2,500	18,957
Fund Cash Balances, January 1	<u>2,266</u>	<u>108,292</u>	<u>5,082</u>	<u>115,640</u>
Fund Cash Balances, December 31				
Restricted	-	118,847	7,582	126,429
Assigned	3,651	-	-	3,651
Unassigned (Deficit)	4,517	-	-	4,517
Fund Cash Balances, December 31	<u>\$ 8,168</u>	<u>\$ 118,847</u>	<u>\$ 7,582</u>	<u>\$ 134,597</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, 2012**

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

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, 2011**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 15,387	\$ 16,797	\$ 2,500	\$ 34,684
Charges for Services	-	275	-	275
Licenses, Permits, and Fees	-	665	-	665
Intergovernmental	16,821	93,755	-	110,576
Earnings on Investments	106	38	-	144
Miscellaneous	1,131	2,260	-	3,391
Total Cash Receipts	<u>33,445</u>	<u>113,790</u>	<u>2,500</u>	<u>149,735</u>
Cash Disbursements:				
Current:				
General Government	24,641	-	-	24,641
Public Safety	-	90	-	90
Public Works	-	114,637	-	114,637
Health	-	3,379	-	3,379
Capital Outlay	12,060	-	-	12,060
Total Cash Disbursements	<u>36,701</u>	<u>118,106</u>	<u>-</u>	<u>154,807</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(3,256)	(4,316)	2,500	(5,072)
Other Financing Receipts/(Disbursements)				
Loan Proceeds	12,060	-	-	12,060
Total Other Financing Receipts/(Disbursements)	<u>12,060</u>	<u>-</u>	<u>-</u>	<u>12,060</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	8,804	(4,316)	2,500	6,988
Fund Cash Balances, January 1	<u>(6,538)</u>	<u>112,608</u>	<u>2,582</u>	<u>108,652</u>
Fund Cash Balances, December 31				
Restricted	-	65,143	5,082	70,225
Committed	-	43,149	-	43,149
Assigned	3,361	-	-	3,361
Unassigned (Deficit)	(1,095)	-	-	(1,095)
Fund Cash Balances, December 31	<u>\$ 2,266</u>	<u>\$ 108,292</u>	<u>\$ 5,082</u>	<u>\$ 115,640</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, 2011**

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

See notes to financial statements.

**PLEASANT TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Pleasant Township, Perry County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. 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 7 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**PLEASANT TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 constructing, maintaining, and repairing Township 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 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation. 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.

**PLEASANT TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

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:

1. Nonspendable

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

2. 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.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees 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.

4. 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 the 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 Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

**PLEASANT TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and 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

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH

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

	<u>2012</u>	<u>2011</u>
Demand Deposits	<u>\$ 135,124</u>	<u>\$ 116,167</u>

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

3. CHANGE IN ACCOUNTING PRINCIPLE AND ACCOUNTING BASIS

In 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported.

**PLEASANT TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 39,116	\$ 32,537	\$ (6,579)
Special Revenue	232,609	128,941	(103,668)
Debt Service	2,575	2,500	(75)
Trust	-	-	-
Total	<u>\$ 274,300</u>	<u>\$ 163,978</u>	<u>\$ (110,322)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 32,096	\$ 30,286	\$ 1,810
Special Revenue	203,507	129,804	73,703
Debt Service	6,000	-	6,000
Trust	-	-	-
Total	<u>\$ 241,603</u>	<u>\$ 160,090</u>	<u>\$ 81,513</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 37,006	\$ 45,505	\$ 8,499
Special Revenue	217,408	113,790	(103,618)
Debt Service	2,575	2,500	(75)
Trust	-	-	-
Total	<u>\$ 256,989</u>	<u>\$ 161,795</u>	<u>\$ (95,194)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 38,983	\$ 40,062	\$ (1,079)
Special Revenue	304,866	127,282	177,584
Debt Service	2,550	-	2,550
Trust	-	-	-
Total	<u>\$ 346,399</u>	<u>\$ 167,344</u>	<u>\$ 179,055</u>

Contrary to ORC Section 5705.36, the Township had funds in 2012 and 2011 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 5705.39, in 2011, the Township had appropriations that exceeded estimated resources in several funds.

Contrary to ORC Section 5705.41 (B), in 2011, all expenditures made by the Township exceeded appropriations in one fund.

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

**PLEASANT TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

5. PROPERTY TAX

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

6. RETIREMENT SYSTEMS

The Township's full-time employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2012 and 2011, PERS members contributed 10.0% of their wages, respectively. The Township contributed an amount equal to 14.00% of participant's gross salaries for 2012 and 2011, respectively. The Township has paid all contributions required through December 31, 2012.

7. 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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.) functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA, OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the member's 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, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**PLEASANT TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

7. RISK MANAGEMENT (Continued)

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, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$ 4,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Retained Earnings	\$25,416,188	\$25,367,373

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$1,830.

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:

Contributions to OTARMA	
2012	\$2,745
2011	2,722
2010	2,476

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.

**PLEASANT TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

8. DEBT

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest rate</u>
Peoples National Bank – Fire/EMS Building	<u>\$ 10,548</u>	<u>4.25%</u>

The Township entered into a loan agreement August 11, 2011 with North Valley Bank to purchase a new tractor. The loan is secured by the tractor.

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

Year Ended December 31	Building Loan
2013	\$ 2,033
2014	2,033
2015	2,033
2016	2,033
2017	2,033
Thereafter	2,033
Total	<u>\$ 12,198</u>

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. Management believes such refunds, if any, would not be material.

**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

To The Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Pleasant Township, Perry County, Ohio, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated August 23, 2013, wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. As stated in Note 3, the Township has implemented GASB Statement No.54 "*Fund balance Reporting and Governmental Fund Type Definitions*" during 2012 and 2011.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Pleasant Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2012-001, 2012-002, 2012-005, 2012-006 and 2012-007 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether Pleasant Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 through 2012-004.

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

We did note certain matters not requiring inclusion in this report that we reported to the management of Pleasant Township in a separate letter dated August 23, 2013.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
August 23, 2013

**PLEASANT TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

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

FINDING NUMBER 2012-001

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 2011, appropriations exceeded estimated resources in the following funds: in the Motor Vehicle License Tax Fund by \$1,689; in the Gasoline Tax Fund by \$60,299; in the Cemetery Fund by \$55; in the EMS Fund by \$12,729 and in the Fire Levy Fund by \$3,268.

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.

FINDING NUMBER 2012-002

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 2012 all Township funds had expenditures which exceeded approved appropriations at the legal level of control.

The Township did not record loan proceeds and capital outlay for the purchase of a new tractor; therefore expenditures in the General Fund exceeded appropriations by \$1,079 in 2011.

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.

**PLEASANT TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-003

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.

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 28.6% of the expenditures tested for fiscal year 2012 and 81.3% tested for fiscal year 2011. 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.

**PLEASANT TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-003 (Continued)

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.

FINDING NUMBER 2012-004

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.

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.

**PLEASANT TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-005

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, 2012
(Continued)**

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

FINDING NUMBER 2012-006

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, 2012
(Continued)**

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

FINDING NUMBER 2012-007

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 2012 and 2011, the Township classified loan payments related to a promissory note for the tractor as 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, 2012**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	ORC 5705.38(A) Passing Appropriation Measures	Yes	Finding No Longer Valid
2010-002	ORC 5705.39 Appropriations Exceeding Resources	No	Not Corrected - Refer to Finding 2012-001
2010-003	ORC 5705.41(B) Expenditures Exceeding Appropriations	No	Not Corrected - Refer to Finding 2012-002
2010-004	ORC 5705.41(D)(1) Fiscal Certificates Dated After Invoices	No	Not Corrected - Refer to Finding 2012-003
2010-005	ORC 5705.10(H) Negative Fund Balances	Yes	Finding No Longer Valid
2010-006	ORC 149.43(B) Public Records Policy	No	Not Corrected - Refer to Finding 2012-004
2010-007	Monitoring of Financial Activity	No	Not Corrected - Refer to Finding 2012-005
2010-008	Bank Reconciliations	No	Not Corrected - Refer to Finding 2012-006
2010-009	Classification of Debt Activity	No	Not Corrected - Refer to Finding 2012-007



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
OCTOBER 15, 2013**