

**THORN TOWNSHIP
PERRY COUNTY**

AUDIT REPORT

JANUARY 1, 2009 – DECEMBER 31, 2010

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



Dave Yost • Auditor of State

Board of Trustees
Thorn Township
P.O. Box 419
Thornville, Ohio 43076

We have reviewed the *Independent Auditors' Report* of Thorn Township, Perry County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Thorn 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

June 30, 2011

This Page is Intentionally Left Blank.

**THORN TOWNSHIP
PERRY COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditors' Report | 1 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – December 31, 2010 | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – December 31, 2009 | 4 |
| Notes to Financial Statements | 5 |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 12 |
| Schedule of Findings | 14 |
| Schedule of Prior Audit Findings | 15 |

This Page is Intentionally Left Blank.

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

INDEPENDENT AUDITORS' REPORT

Thorn Township
Perry County
P.O. Box 419
Thornville, Ohio 43076

We have audited the accompanying financial statements of Thorn Township, Perry County as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ending December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Thorn Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended..

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Thorn Township, Perry County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 4, 2011, on our consideration of Thorn 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
May 4, 2011

**THORN TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-----------------------------|------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$ 74,867 | \$ 358,245 | \$ - | \$ - | \$ 433,112 |
| Charges for Services | - | 84,734 | - | - | 84,734 |
| Licenses, Permits, and Fees | 32,385 | - | - | - | 32,385 |
| Intergovernmental | 100,143 | 164,789 | - | - | 264,932 |
| Earnings on Investments | 2,947 | 154 | - | - | 3,101 |
| Miscellaneous | 2,326 | 15,752 | - | - | 18,078 |
| Total Cash Receipts | <u>212,668</u> | <u>623,674</u> | <u>-</u> | <u>-</u> | <u>836,342</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 154,783 | - | - | - | 154,783 |
| Public Safety | 919 | 86,065 | - | - | 86,984 |
| Public Works | 15,806 | 151,758 | - | - | 167,564 |
| Capital Outlay | 25,515 | 271,465 | 621,660 | - | 918,640 |
| Debt Service: | | | | | |
| Redemption of Principal | - | 47,261 | - | - | 47,261 |
| Interest and Fiscal Charges | - | 9,501 | - | - | 9,501 |
| Total Cash Disbursements | <u>197,023</u> | <u>566,050</u> | <u>621,660</u> | <u>-</u> | <u>1,384,733</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | 15,645 | 57,624 | (621,660) | - | (548,391) |
| Other Financing Receipts/(Disbursements) | | | | | |
| Other Financing Sources | 15 | - | - | - | 15 |
| Sale of Notes | - | 25,763 | 621,660 | - | 647,423 |
| Total Other Financing Receipts/(Disbursements) | <u>15</u> | <u>25,763</u> | <u>621,660</u> | <u>-</u> | <u>647,438</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements | 15,660 | 83,387 | - | - | 99,047 |
| Fund Cash Balances, January 1 | <u>218,852</u> | <u>667,738</u> | <u>-</u> | <u>1,621</u> | <u>888,211</u> |
| Fund Cash Balances, December 31 | <u>\$ 234,512</u> | <u>\$ 751,125</u> | <u>\$ -</u> | <u>\$ 1,621</u> | <u>\$ 987,258</u> |

See notes to financial statements.

**THORN TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-----------------------------|------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$ 70,983 | \$ 338,960 | \$ - | \$ - | \$ 409,943 |
| Charges for Services | - | 68,603 | - | - | 68,603 |
| Licenses, Permits, and Fees | 29,293 | - | - | - | 29,293 |
| Intergovernmental | 41,424 | 160,547 | - | - | 201,971 |
| Earnings on Investments | 7,097 | 275 | - | 28 | 7,400 |
| Miscellaneous | 3,555 | 14,834 | - | - | 18,389 |
| Total Cash Receipts | <u>152,352</u> | <u>583,219</u> | <u>-</u> | <u>28</u> | <u>735,599</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 196,206 | - | - | - | 196,206 |
| Public Safety | - | 144,005 | - | - | 144,005 |
| Public Works | 20,000 | 215,208 | - | - | 235,208 |
| Capital Outlay | 10,505 | 114,366 | 2,154 | - | 127,025 |
| Debt Service: | | | | | |
| Redemption of Principal | 13,000 | - | - | - | 13,000 |
| Interest and Fiscal Charges | 576 | - | - | - | 576 |
| Total Cash Disbursements | <u>240,287</u> | <u>473,579</u> | <u>2,154</u> | <u>-</u> | <u>716,020</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | (87,935) | 109,640 | (2,154) | 28 | 19,579 |
| Other Financing Receipts/(Disbursements) | | | | | |
| Other Financing Sources | 159 | - | - | - | 159 |
| Sale of Notes | - | - | 2,154 | - | 2,154 |
| Total Other Financing Receipts/(Disbursements) | <u>159</u> | <u>-</u> | <u>2,154</u> | <u>-</u> | <u>2,313</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements | (87,776) | 109,640 | - | 28 | 21,892 |
| Fund Cash Balances, January 1 | <u>306,628</u> | <u>558,098</u> | <u>-</u> | <u>1,593</u> | <u>866,319</u> |
| Fund Cash Balances, December 31 | <u>\$ 218,852</u> | <u>\$ 667,738</u> | <u>\$ -</u> | <u>\$ 1,621</u> | <u>\$ 888,211</u> |

See notes to financial statements.

**THORN TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Township of Thorn, Perry County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and a publicly elected Fiscal Officer. The Township provides general governmental services including road and bridge maintenance and cemetery maintenance. The Township has a volunteer Fire and EMS Department. Police protection is provided by the Perry County Sheriff's Department.

The Township participates in the Ohio Government Risk management Plan (the Plan) public entity risk sharing 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 Government Risk management Plan (the Plan), an unincorporated, non-profit association providing a formalized, jointly administered self insurance risk management plan.. Member governments pay annual contributions to fund the Plan. The Plan 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

The certificates of deposit are valued at cost. All other funds are maintained in an interest-bearing checking account.

D. Fund Accounting

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

**THORN TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue 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.

Fire District Fund – This fund receives property tax money used for the fire protection of the Township.

Thorn Township EMS Fund – This fund receives property tax money used for emergency medical services for the Township.

Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Fire Building Capital Projects Fund – This fund receives loan money from to construct a new fire house.

Permanent Fund

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant Permanent Funds:

UB Cemetery Bequest Fund – This fund receives interest to be used for the upkeep of cemeteries.

**THORN TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 re-appropriated in the subsequent year.

A Summary of 2010 and 2009 budgetary activity appears in Note 4.

F. 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.

G. 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

**THORN TOWNSHIP
PERRY 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:

| | 2010 | 2009 |
|-------------------------|------------|------------|
| Demand Deposits | \$ 981,258 | \$ 882,211 |
| Certificate of Deposits | 6,000 | 6,000 |
| | \$ 987,258 | \$ 888,211 |

Deposits:

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

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, 2010 and 2009 was as follows:

2010 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|------------------------|-----------------|
| General | \$ 169,909 | \$ 212,683 | \$ 42,774 |
| Special Revenue | 827,905 | 649,437 | (178,468) |
| Capital Projects | 621,660 | 621,660 | - |
| Permanent | 40 | - | (40) |
| Total | \$ 1,619,514 | \$ 1,483,780 | \$ (135,734) |

2010 Budgeted vs. Actual Budgetary Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Actual Expenditures</u> | <u>Variance</u> |
|------------------|--------------------------------|----------------------------|-----------------|
| General | \$ 388,761 | \$ 197,023 | \$ 191,738 |
| Special Revenue | 1,490,643 | 566,050 | 924,593 |
| Capital Projects | 621,660 | 621,660 | - |
| Permanent | 1,661 | - | 1,661 |
| Total | \$ 2,502,725 | \$ 1,384,733 | \$ 1,117,992 |

**THORN TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

4. BUDGETARY ACTIVITY (CONTINUED)

2009 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|------------------------|---------------------|
| General | \$ 214,120 | \$ 152,511 | \$ (61,609) |
| Special Revenue | 1,402,586 | 583,219 | (819,367) |
| Capital Projects | 2,154 | 2,154 | - |
| Permanent | <u>40</u> | <u>28</u> | <u>(12)</u> |
| Total | <u>\$ 1,618,900</u> | <u>\$ 737,912</u> | <u>\$ (880,988)</u> |

2009 Budgeted vs. Actual Budgetary Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Actual Expenditures</u> | <u>Variance</u> |
|------------------|--------------------------------|----------------------------|---------------------|
| General | \$ 520,748 | \$ 240,287 | \$ 280,461 |
| Special Revenue | 1,960,683 | 473,579 | 1,487,104 |
| Capital Projects | 2,154 | 2,154 | - |
| Permanent | <u>1,633</u> | <u>-</u> | <u>1,633</u> |
| Total | <u>\$ 2,485,218</u> | <u>\$ 716,020</u> | <u>\$ 1,769,198</u> |

Contrary to ORC Section 5705.36, in 2009 the Township had one fund 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 Ohio Revised Code Section 5705.41(D), in 2009 the Township had fiscal certificates that were dated after invoices.

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.

**THORN TOWNSHIP
PERRY 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 2010 and 2009, members of PERS contributed 10.0% of their gross salaries. The Township contributed an amount equal to 14.00% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2010.

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 Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 700 Ohio Governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage’s, modified for each Member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member’s deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 17.5% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 17.5% or \$43,750 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three years.

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

The Plans audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, the latest information available.

| | 2009 | 2008 |
|-------------------|---------------|---------------|
| Assets | \$ 11,176,186 | \$ 10,471,114 |
| Liabilities | (4,852,485) | (5,286,781) |
| Retained Earnings | \$ 6,323,701 | \$ 5,184,333 |

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

**THORN TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

8. DEBT

Debt outstanding at December 31, 2010 was as follows:

| | <u>Principal</u> | <u>Interest rate</u> |
|---|-------------------|----------------------|
| Peoples National Bank – Fire/EMS Building | \$ 589,311 | 4.46% |
| Peoples National Bank - Tractor | 13,005 | 5.45% |
| Total | <u>\$ 602,316</u> | |

The Township entered into a loan agreement October 30, 2009 with Peoples National Bank for the construction of a new Fire/EMS Building. The Township was able to borrow up to \$850,000 for this project. However, as of December 31, 2010, the Township had borrowed \$623,814. The loan is secured by a mortgage on the building.

The Township entered into a loan agreement July 26, 2010 with Peoples National Bank for the acquisition of a new tractor. The loan is collateralized by the tractor.

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

| <u>Year Ended December 31</u> | <u>Building Loan</u> | <u>Tractor Loan</u> |
|-----------------------------------|--------------------------|-------------------------|
| 2011 | \$ 64,698 | \$ 5,783 |
| 2012 | 64,698 | 5,783 |
| 2013 | 64,698 | 3,273 |
| 2014 | 64,698 | - |
| 2015 | 64,698 | - |
| Thereafter | 379,331 | - |
| Total | <u>\$ 702,821</u> | <u>\$ 14,839</u> |

**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.**

Thorn Township
Perry County
P.O. Box 419
Thornville, Ohio 43076

We have audited the financial statements of Thorn Township as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 4, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Thorn Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2010-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Thorn 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Thorn Township in a separate letter dated May 4, 2011.

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

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 4, 2011

**THORN TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

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

FINDING NUMBER 2010-01

Material Weakness – Incorrect posting of Activity

In 2009, the Township entered into a loan agreement to build a new Fire/EMS building. The activity relating to this was posted to a Special Revenue Fund. Per the definition of a special revenue fund which is as follows “Special Revenue Funds account for proceeds from specific sources (other than from private-purpose trusts **or for capital projects**) that are restricted to expenditure for specific purposes”. The loan agreement states that all future advances are to build the fire house establishing the fact that a capital projects fund should have been used.

We recommend the Fiscal Officer accurately and timely post all activity relating to the construction of the fire house to be posted to a capital projects fund as required. These financial statements have been adjusted to properly reflect capital project transactions.

Client Response: We agree with finding and will post all required activity to the proper capital projects fund.

**THORN TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
12/31/2010**

| Finding Number | Finding Summary | Fully Corrected | Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|--|-----------------|--|
| 2008-001 | Ohio Admin Code 117-2-02(A) Proper Classification of Receipts and Disbursements | Yes | Finding No Longer Valid |

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

THORN 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
JULY 14, 2011