



Dave Yost • Auditor of State

**PULTNEY TOWNSHIP
BELMONT COUNTY**

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Dave Yost • Auditor of State

Pultney Township
Belmont County
56420 High Ridge Road
Bellaire, Ohio 43906

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

November 2, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Pultney Township
Belmont County
56420 High Ridge Road
Bellaire, Ohio 43906

To the Board of Trustees:

We have audited the accompanying financial statements of Pultney Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

www.ohioauditor.gov

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

November 2, 2012

PULTNEY TOWNSHIP
BELMONT 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>Permanent</u> | |
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$12,076 | \$231,843 | | \$243,919 |
| Intergovernmental | 138,268 | 181,128 | | 319,396 |
| Earnings on Investments | 18 | 6 | \$1,107 | 1,131 |
| Miscellaneous | 1,285 | 207 | | 1,492 |
| <i>Total Cash Receipts</i> | <u>151,647</u> | <u>413,184</u> | <u>1,107</u> | <u>565,938</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 128,538 | 35,690 | | 164,228 |
| Public Safety | | 115,495 | | 115,495 |
| Public Works | | 235,939 | | 235,939 |
| Health | 17,474 | | | 17,474 |
| Capital Outlay | 70,872 | 9,870 | | 80,742 |
| Debt Service: | | | | |
| Principal Retirement | 8,092 | | | 8,092 |
| Interest and Fiscal Charges | 3,865 | | | 3,865 |
| <i>Total Cash Disbursements</i> | <u>228,841</u> | <u>396,994</u> | <u>0</u> | <u>625,835</u> |
| <i>Total Cash Receipts Over (Under) Cash Disbursements</i> | <u>(77,194)</u> | <u>16,190</u> | <u>1,107</u> | <u>(59,897)</u> |
| Other Financing Receipts / (Disbursements): | | | | |
| Other Debt Proceeds | 65,872 | | | 65,872 |
| Advances-In | | 10,000 | | 10,000 |
| Advances-Out | (10,000) | | | (10,000) |
| Other Financing Sources | 5,000 | | | 5,000 |
| <i>Total Other Financing Receipts / (Disbursements)</i> | <u>60,872</u> | <u>10,000</u> | <u>0</u> | <u>70,872</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(16,322)</u> | <u>26,190</u> | <u>1,107</u> | <u>10,975</u> |
| <i>Fund Cash Balances, January 1</i> | <u>89,395</u> | <u>64,365</u> | <u>42,691</u> | <u>196,451</u> |
| Fund Cash Balances, December 31 | | | | |
| Nonspendable | | | 200 | 200 |
| Restricted | | 88,578 | 43,598 | 132,176 |
| Committed | | 1,977 | | 1,977 |
| Unassigned | 73,073 | | | 73,073 |
| <i>Fund Cash Balances, December 31</i> | <u>\$73,073</u> | <u>\$90,555</u> | <u>\$43,798</u> | <u>\$207,426</u> |

The notes to the financial statements are an integral part of this statement.

**PULTNEY TOWNSHIP
BELMONT 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 | \$9,335 | \$242,401 | | | \$251,736 |
| Intergovernmental | 100,939 | 152,682 | \$68,033 | | 321,654 |
| Earnings on Investments | 32 | 4 | | \$987 | 1,023 |
| Miscellaneous | 140 | 426 | | | 566 |
| Total Cash Receipts | <u>110,446</u> | <u>395,513</u> | <u>68,033</u> | <u>987</u> | <u>574,979</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 153,954 | 60,422 | | | 214,376 |
| Public Safety | | 106,506 | | | 106,506 |
| Public Works | 15,305 | 251,282 | | | 266,587 |
| Health | 18,000 | | | | 18,000 |
| Capital Outlay | 117,930 | 27,116 | 68,033 | | 213,079 |
| Total Cash Disbursements | <u>305,189</u> | <u>445,326</u> | <u>68,033</u> | <u>0</u> | <u>818,548</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>(194,743)</u> | <u>(49,813)</u> | <u>0</u> | <u>987</u> | <u>(243,569)</u> |
| Other Financing Receipts / (Disbursements): | | | | | |
| Sale of Bonds | 50,000 | | | | 50,000 |
| Advances-In | | 6,700 | | | 6,700 |
| Advances-Out | (6,700) | | | | (6,700) |
| Other Financing Sources | 20,082 | | | | 20,082 |
| Total Other Financing Receipts / (Disbursements) | <u>63,382</u> | <u>6,700</u> | <u>0</u> | <u>0</u> | <u>70,082</u> |
| Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements | <u>(131,361)</u> | <u>(43,113)</u> | <u>0</u> | <u>987</u> | <u>(173,487)</u> |
| Fund Cash Balances, January 1 | <u>220,756</u> | <u>107,478</u> | <u>0</u> | <u>41,704</u> | <u>369,938</u> |
| Fund Cash Balances, December 31 | <u><u>\$89,395</u></u> | <u><u>\$64,365</u></u> | <u><u>\$0</u></u> | <u><u>\$42,691</u></u> | <u><u>\$196,451</u></u> |

The notes to the financial statements are an integral part of this statement.

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Pultney Township, Belmont County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Neffs and Spirit of 76 Volunteer Fire Departments to provide fire and ambulance services.

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

B. Accounting Basis

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. Deposits 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.

The Township values common stock at fair value when donated.

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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These 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 Township had the following significant Special Revenue Funds:

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Fire Levy Fund – This fund receives property tax money to provide fire protection to Township residents.

3. Capital Projects Fund

This fund accounts 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 Projects Fund:

Issue I Fund – The Township received a grant from the State of Ohio for road paving.

4. Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Bequest Fund – The Township receives interest used for the permanent care and decoration of graves of the cemeteries.

E. Budgetary Process

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

1. 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. Appropriations lapse at year end.

2. 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.

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

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

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 amend 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.

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

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 Deposits and Investments

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

| | 2011 | 2010 |
|--|-----------|-----------|
| Demand deposits | \$190,451 | \$179,476 |
| Other time deposits (savings account) | 14,995 | 14,995 |
| Total deposits | 205,446 | 194,471 |
| Common stock (at fair value at the time of donation) | 1,980 | 1,980 |
| Total deposits and investments | \$207,426 | \$196,451 |

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

Investments: CSX stock is held in certificate form in the custody of the Township. The fair market value of the stock at December 31, 2011 and 2010 was \$8,340 and \$25,586, respectively.

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010, follows:

| 2011 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$57,147 | \$222,519 | \$165,372 |
| Special Revenue | 365,700 | 423,184 | 57,484 |
| Permanent | 600 | 1,107 | 507 |
| Total | \$423,447 | \$646,810 | \$223,363 |

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$148,043 | \$238,841 | (\$90,798) |
| Special Revenue | 430,586 | 396,994 | 33,592 |
| Permanent | 58,956 | 58,956 | 58,956 |
| Total | \$637,585 | \$635,835 | \$1,750 |

| 2010 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$57,767 | \$180,528 | \$122,761 |
| Special Revenue | 368,200 | 402,213 | 34,013 |
| Capital Projects | | 68,033 | 68,033 |
| Permanent | 600 | 987 | 387 |
| Total | \$426,567 | \$651,761 | \$225,194 |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$369,524 | \$311,889 | \$57,635 |
| Special Revenue | 468,314 | 445,326 | 22,988 |
| Capital Projects | | 68,033 | (68,033) |
| Permanent | 57,669 | 57,669 | 57,669 |
| Total | \$895,507 | \$825,248 | \$70,259 |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$90,798, for the year ended December 31, 2011. Also, budgetary expenditures exceeded appropriation authority in the Fire Levy and Issue I Funds' by \$8,659 and \$68,033, respectively, for the year ended December 31, 2010.

Also contrary to Ohio law, appropriations exceeded estimated resources in the General and Fire Levy Funds', for the year ended December 31, 2011, by \$1,500 and \$8,089, respectively. For the year ended December 31, 2010, appropriations exceeded estimated resources in the General Fund by \$91,000.

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 April 30.

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

5. Debt

Debt outstanding at December 31, 2011, was as follows:

| | Principal | Interest Rate |
|--------------------------|-----------|---------------|
| General Obligation Bonds | \$45,800 | 4.00% |
| Promissory Note | 61,980 | 5.06% |
| Total | \$107,780 | |

The Township issued general obligation bonds in the amount of \$50,000 to finance the purchase of a new dump truck and plowing equipment for Township road maintenance. The Township's taxing authority collateralized the bonds.

The Township issued a promissory note in the amount of \$65,872 to finance the purchase of a Ford truck. This promissory note is collateralized by the truck.

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

| Year ending December 31: | General Obligation Bonds | Promissory Note |
|--------------------------|--------------------------------|--------------------|
| 2012 | \$6,132 | \$11,182 |
| 2013 | 6,160 | 11,182 |
| 2014 | 6,180 | 11,182 |
| 2015 | 6,192 | 11,182 |
| 2016 | 6,096 | 11,182 |
| 2017-2020 | 24,680 | 16,774 |
| Total | \$55,440 | \$72,684 |

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Retirement System

The Township's employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

7. Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Township also provides health insurance coverage to elected officials and full-time employees through a private carrier.

8. Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Pultney Township
Belmont County
56420 High Ridge Road
Bellaire, Ohio 43906

To the Board of Trustees:

We have audited the financial statements of Pultney Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated November 2, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and for December 31, 2011, we also noted the Township has adopted Governmental Accounting Standards Board Statement No. 54. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

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 material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2011-04 through 2011-08 to be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the 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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2011-01 through 2011-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 2, 2012.

The Township's response to finding 2011-05 identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

November 2, 2012

PULTNEY TOWNSHIP
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the Budget Commission.

In 2011, the Township appropriations exceeded estimated resources in the following funds:

| | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Variance</u> |
|-----------|--------------------------------|-----------------------|-----------------|
| General | \$146,543 | \$148,043 | (\$1,500) |
| Fire Levy | 110,000 | 118,089 | (8,089) |

In 2010, the Township appropriations exceeded estimated resources in the following fund:

| | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Variance</u> |
|---------|--------------------------------|-----------------------|-----------------|
| General | \$278,524 | \$369,524 | (\$91,000) |

We recommend the Board of Trustees and Fiscal Officer monitor appropriations and estimated resources and file amendments as needed with the County Auditor to ensure the total appropriations from each fund do not exceed the total official estimate or amended official estimate of resources available for expenditure.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2011-02

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

At December 31, 2011, the General Fund expenditures of \$238,841 exceeded appropriations of \$148,043 by \$90,798.

At December 31, 2010, the Fire Levy Fund expenditures of \$137,138 exceeded appropriations of \$128,479 by \$8,659. The Issue 1 Fund expenditures of \$68,033 exceeded appropriations of \$0 by \$68,033 which was due to an audit adjustment reflecting on-behalf of payments in the accounting records (See Finding No. 2011-07).

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-02 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(B)

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2011-03

Noncompliance Citation

Ohio Rev. 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Then and Now Certificate – If the fiscal officer can certify that both at the time 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 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 requirement for approval of expenditures by the taxing authority.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current 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.

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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|---|
| <p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p> |
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FINDING NUMBER 2011-03 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Super Blanket Certificate – The taxing authority 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 certification of available funds was not obtained for 50% of transactions tested 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 and negative cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials’ Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2011-04

Noncompliance and Significant Deficiency

Ohio Rev. Code Section 505.60(A) states, in part, if the board procures any insurance policies under this section, the board shall provide uniform coverage under these policies for township officers and full-time township employees and their immediate dependents, and may provide coverage under these policies for part-time township employees and their immediate dependents, from the funds or budgets from which the officers or employees are compensated for services, such policies to be issued by an insurance company duly authorized to do business in this state.

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-04 (Continued)

Noncompliance and Significant Deficiency - Ohio Rev. Code Section 505.60(A) (Continued)

The Township paid all employee salaries out of the Road and Bridge Fund and all Township Trustees and Fiscal Officer salaries out of the General Fund in 2011. However, the Township recorded employees', Township Trustees' and Fiscal Officer's premiums for Coventry Health Insurance to the Gas Tax Fund in the amount of \$24,334 and Motor Vehicle License Tax Fund in the amount of \$802; whereas, these insurance payments should have been recorded to the Road and Bridge Fund for the employees in the amount of \$18,898 and to the General Fund for the Township Trustees and Fiscal Officer in the amount of \$6,238.

This adjustment has been agreed to by Township management and has been posted to the Township's records and is reflected in the accompanying financial statements.

We recommend the Township record all employees' health insurance premiums to the funds or budgets from which the officers or employees are compensated for services each year.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2011-05

Noncompliance and Significant Deficiency

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory-securities, Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision. Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2011, the Township issued a seven year promissory note in the amount of \$65,872 with Belmont Savings Bank to purchase a truck. This type of debt does not meet the criteria for any of the debt allowed in Ohio Rev. Code Section 133.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of incurring debt by Townships.

Also, the Township did not record the note proceeds or the capital outlay expenditure for the purchase of the truck to the Township receipts and appropriations ledgers as the bank paid the vendor directly for the truck.

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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|---|
| <p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p> |
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FINDING NUMBER 2011-05 (Continued)

Noncompliance and Significant Deficiency – Ohio Rev. Code Chapter 133

This adjustment has been agreed to by Township management and is reflected in the accompanying financial statements.

We recommend the Township consult with legal counsel when the Board anticipates incurring debt to help ensure it is an allowable type of debt.

We also recommend the Fiscal Officer record note proceeds and the related expenditure to the accounting records when the financial institution pays the vendor directly.

Officials' Response: The promissory note was paid in full in October 2012.

FINDING NUMBER 2011-06

Significant Deficiency

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

In 2010, the Fiscal Officer did not accurately post budgeted receipts to the Uniform Accounting Network (UAN) receipts ledger. A variance in the General Fund of \$99,000 existed between the certificate of estimated resources of \$57,767 and the amount posted to the accounting system of \$156,767.

Also, in 2010, the Fiscal Officer did not accurately post appropriations to the UAN appropriations ledger. A variance in the Fire Levy Fund of \$8,659 existed between the amount approved by the Board of Trustees of \$128,479 and the amount posted to the accounting system of \$137,138

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary versus actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Budget Commission and appropriations per the appropriation resolution.

We recommend the Fiscal Officer record only estimated receipts per the Official Certificate of Estimated Resources and appropriations approved by Board of Trustees. The Fiscal Officer should periodically present budget vs. actual results to the Trustees. As part of their monitoring responsibilities, the Trustees should review this information and should inquire to the Fiscal Officer if they note apparent errors in the budget or actual data and should also use this information to determine if they should amend estimated revenue or appropriations.

Officials' Response: We did not receive a response from Officials to this finding.

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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|---|
| <p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p> |
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FINDING NUMBER 2011-07

Significant Deficiency

The Auditor of State provided, through Auditor of State Audit Bulletins 2000-008 and 2002-004, the recommended accounting treatment for on-behalf-of grants or loans. For payments made to a contractor of a project by a grantor directly, the grantor will notify the fiscal officer of the amount disbursed.

Upon receipt of this notice, each local government shall record a receipt and expenditure in the appropriate fund equal to the amount disbursed by the grantor on their behalf.

The Township was the beneficiary of an Issue 1 grant administered by Belmont County on their behalf. The Township did not record receipts or disbursements on their accounting records for this grant during 2010. The Issue 1 receipts and expenditures were \$68,033. Adjustments were made to properly reflect this activity on the accompanying financial statement in 2010.

We recommend the Township refer to Auditor of State Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for all monies expended on-behalf-of the Township.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2011-08

Significant Deficiency

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised March 2012) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2011 and 2010, Township's receipts and expenditures were not always posted to accurate receipt or expenditure classifications, based upon the source of the receipt and nature of the expenditure.

For example, in 2010 within the General Fund, bond proceeds received from the issuance of General Obligations Bonds in the amount of \$50,000 were posted as "intergovernmental" instead of "other financing receipts – sale of bonds".

**PULTNEY TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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|---|
| <p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p> |
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FINDING NUMBER 2011-08 (Continued)

Significant Deficiency (Continued)

Also, for example, the Township recorded several purchases to "general government". Of these purchases, fire contracts of \$115,495 in 2011 and \$106,506 in 2010 should have been posted to "public safety" within the Fire Levy Fund. In 2010, the Township purchased a truck and hydraulics in the amount of \$41,102 and a truck in the amount of \$55,807 which should have been posted to "capital outlay", within the General Fund.

These adjustments have been agreed to by Township management and are reflected in the accompanying financial statements.

We recommend the Township utilize available authoritative resources to appropriately classify receipt and expenditure transactions.

Officials' Response: We did not receive a response from Officials to this finding.

**PULTNEY TOWNSHIP
BELMONT COUNTY**

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2009-001 | Finding For Recovery Repaid Under Audit – Travel Reimbursement | Yes | N/A. |
| 2009-002 | Ohio Rev. Code Sections 5705.05 and 5705.06 – in 2008 General Fund transferred \$8,000 to the Road & Bridge Fund to cover payroll for the road crew. | Yes | N/A. |
| 2009-003 | Ohio Rev. Code Section 5705.41(D) – not certifying the availability of funds prior to incurring obligations. | No | Not Corrected – Reissued as Finding Number 2011-03. |
| 2009-004 | Ohio Rev. Code Section 5705.41(B) – expenditures exceeded appropriations in several funds. | No | Not Corrected – Reissued as Finding Number 2011-02. |
| 2009-005 | Ohio Rev. Code Section 5705.38(A) – no temporary or permanent appropriation measure passed in 2009. | No | Partially Corrected – Reissued in the management letter. |
| 2009-006 | Significant Deficiency – appropriations and estimated resources not always posted accurately in the accounting system. | No | Not Corrected – Reissued as Finding Number 2011-06. |
| 2009-007 | Significant Deficiency – not posting on-behalf of grant monies to the accounting system. | No | Not Corrected – Reissued as Finding Number 2011-07. |
| 2009-008 | Significant Deficiency – receipts not always properly posted to accurate classifications. | No | Not Corrected – Reissued as Finding Number 2011-08. |



Dave Yost • Auditor of State

PULTNEY TOWNSHIP

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2012**