

**Pleasant Township
Clark County, Ohio
Financial Statements
December 31, 2010 and 2009**



Dave Yost • Auditor of State

Board of Trustees
Pleasant Township
P.O. Box 39
Catawba, Ohio 43010

We have reviewed the *Independent Auditor's Report* of Pleasant Township, Clark County, prepared by Taylor, Applegate, Hughes & Associates, Ltd., 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 Auditor's 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 Auditor's 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. 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

January 10, 2012

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**Pleasant Township
Clark County, Ohio
Financial Statements
December 31, 2010 and 2009**

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INDEPENDENT AUDITOR'S REPORT

Pleasant Township
P.O. Box 39
Catawba, Ohio 43010

To the Board of Trustees:

We have audited the accompanying financial statements of Pleasant Township, Clark County, Ohio, (the Township), 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 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. We believe that our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP required 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.

Pleasant Township
Clark County, Ohio
Independent Accountant's Report

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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, 2010 and 2009 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, 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 Pleasant Township, Clark County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 28, 2011, 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 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.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 28, 2011

**PLEASANT TOWNSHIP
CLARK 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>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and other local taxes	\$ 22,877	\$ 396,806	\$ -	\$ 419,683
Charges for Services	-	9,500	-	9,500
Licenses, permits and fees	11,785	86,342	-	98,127
Intergovernmental	13,764	83,030	-	96,794
Earnings on investments	17,081	380	7,224	24,685
Miscellaneous	6,803	15,792	1,000	23,595
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	72,310	591,850	8,224	672,384
Cash Disbursements:				
Current:				
General government	296,779		8,187	304,966
Public safety	-	276,393	-	276,393
Public works		306,551		306,551
Human services	-	6,911	-	6,911
Health	-	16,470	-	16,470
Capital Outlay		12,451		12,451
Debt Service:				
Redemption of Principal		28,263		28,263
Interest and Fiscal Charges	-	633	-	633
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	296,779	647,672	8,187	952,638
Total receipts over/(under) disbursements	<hr/> (224,469)	<hr/> (55,822)	<hr/> 37	<hr/> (280,254)
Fund cash balances January 1, 2010	420,711	362,523	79,038	862,272
Fund cash balances, December 31, 2010	<hr/> 196,242	<hr/> 306,701	<hr/> 79,075	<hr/> 582,018
Reserve for encumbrance, December 31, 2010	<hr/> -	<hr/> -	<hr/> -	<hr/> -

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

**PLEASANT TOWNSHIP
CLARK 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>				<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:					
Property and other local taxes	\$ 24,265	\$ 400,848	\$ -	\$ -	\$ 425,113
Charges for Services	-	8,500		-	8,500
Licenses, permits and fees	10,625	101,689		-	112,314
Intergovernmental	69,235	98,813	500,000	-	668,048
Earnings on investments	5,925	520		39,909	46,354
Miscellaneous	6,047	16,872	-	-	22,919
Total Cash Receipts	116,097	627,242	500,000	39,909	1,283,248
Cash Disbursements:					
Current:					
General government	212,857			42,000	254,857
Public safety	-	270,150		-	270,150
Public works	-	249,978		-	249,978
Health	-	36,519		-	36,519
Capital Outlay			848,000		848,000
Debt Service:					
Redemption of Principal		18,748			18,748
Interest and Fiscal Charges	-	1,448	-	-	1,448
Total Cash Disbursements	212,857	576,843	848,000	42,000	1,679,700
Total receipts over/(under) disbursements	(96,760)	50,399	(348,000)	(2,091)	(396,452)
Other Financing Receipts and (Disbursements):					
Loan Proceeds - Ohio Public Works	-	-	348,000	-	348,000
Excess of Cash Receipts and other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(96,760)	50,399	-	(2,091)	(48,452)
Fund cash balances January 1, 2009	517,471	312,124	-	81,129	910,724
Fund cash balances, December 31, 2009	420,711	362,523	-	79,038	862,272
Reserve for encumbrance, December 31, 2009	-	-	-	-	-

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

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

NOTE 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, Clark County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) – OTARMA is 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. 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.

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:

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

General Fund

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

Special Revenue Funds

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

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

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing state highways through the Township.

Road District Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads.

Cemetery Fund - This fund receives money from the sale of grave plots and for the opening and closing of grave sites, for the purpose of maintenance and upkeep of the cemeteries.

Fire District – This fund receives tax money and donations for providing fire protection.

Fire and RSC Ambulance EMS Service – This fund collects revenue from the billing of emergency medical services and expenditures are for maintaining the department.

Permanent Funds

These funds account 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 Trust Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. The earnings are used for the general maintenance and upkeep of the Township's cemetery.

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 the 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.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

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.

F. 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.

NOTE 2 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 342,506	\$ 587,272
Investment trust account	75,000	75,000
Equity securities	<u>164,512</u>	<u>200,000</u>
Total deposits	<u>\$ 582,018</u>	<u>\$ 862,272</u>

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

NOTE 2 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS, continued

The Township held \$164,512 at December 31, 2010 in equity securities. Equity securities are not eligible investments for the Township under Ohio law.

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

Investments: Various stocks were willed to the Township and only interest can be used for the maintenance of the Asbury Chapel Cemetery. A financial institution's trust department holds the Township's equity securities in book entry form in the Township's name.

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$94,325	\$72,310	(\$22,015)
Special Revenue	626,626	591,850	(34,776)
Permanent	<u>9,000</u>	<u>8,224</u>	<u>(776)</u>
Total	<u>\$729,951</u>	<u>\$672,384</u>	<u>(\$57,567)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$352,600	\$296,779	\$55,821
Special Revenue	981,871	647,672	334,199
Permanent	<u>11,900</u>	<u>8,187</u>	<u>3,713</u>
Total	<u>\$1,346,371</u>	<u>\$952,638</u>	<u>\$393,733</u>

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$582,266	\$116,097	(\$466,169)
Special Revenue	927,792	627,242	(300,550)
Capital Projects	848,000	848,000	-0-
Permanent	<u>42,183</u>	<u>39,909</u>	<u>(2,274)</u>
Total	<u>\$2,400,241</u>	<u>\$1,631,248</u>	<u>(\$768,993)</u>

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

NOTE 3 - BUDGETARY ACTIVITY, continued

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$588,000	\$212,857	\$375,143
Special Revenue	921,411	576,843	344,568
Capital Projects	848,000	848,000	-0-
Permanent	<u>42,000</u>	<u>42,000</u>	<u>-0-</u>
Total	<u>\$2,399,411</u>	<u>\$1,679,700</u>	<u>\$719,711</u>

NOTE 4 - PROPERTY TAXES

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 February 18. If the property owner elects to pay semiannually, the first half is due February 18. The second half payment is due the following July 8.

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

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

NOTE 5 - DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC	\$339,300	0.0%

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ambulance	\$19,563	4.3%
OPWC	348,000	0.0%

Ambulance – The Township obtained financing for an ambulance in 2005. The loan was paid in full during 2010.

OPWC – The Township obtained a loan from the Ohio Public Works Commission (OPWC) in 2009 for a township road project in the amount of \$348,000. The note matures January 2030. The Township makes semi-annual payments of \$8,700.

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

NOTE 5 - DEBT, continued

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

Year ending December 31:	<u>OPWC</u>
2011	\$ 17,400
2012	17,400
2013	17,400
2014	17,400
2015	17,400
2016-2020	87,000
2021-2025	87,000
2026-2030	<u>78,300</u>
Total	<u>\$339,300</u>

NOTE 6 - RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, members of OPERS contributed 10.0 percent of their gross salaries and the Township contributed an amount equaling 14.0 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

B. Social Security

Several employees contributed to Social Security in 2010 and 2009. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2010 and 2009, employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

NOTE 7 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

NOTE 7 - RISK MANAGEMENT, continued

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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.

B. Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principals, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the most recent information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, liabilities above include approximately \$9.9 million and \$12.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$9.5 million and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$31,000.

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the past three years are as follows:

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

NOTE 7 - RISK MANAGEMENT, continued

B. Financial Position, continued

<u>Year</u>	<u>Contribution</u>
2010	\$15,502
2009	\$12,818
2008	\$10,174

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 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 was incurred or reported prior to the withdrawal.

NOTE 8 - COMPLIANCE

The Township had deficit fund balances in the Road District Fund of \$2,479 in 2009 and in the Motor Vehicle License Tax Fund of \$3,908 in 2009 and \$4,268 in 2010.

The Township appropriated more than the actual resources in the Motor Vehicle License Tax Fund by \$5,200 in 2009 and \$8,916 in 2010; Road District Fund by \$28,328 in 2009 and \$3,918 in 2010; Gasoline Tax Fund by \$2,191 in 2010; Fire District Fund by \$13,672 in 2010 and Fire and Rescue by \$25,674 in 2010.

The Township appropriated more than estimated resources in the Road Fund by \$30,646 in 2009 and \$2,190 in 2010; Motor Vehicle License Tax Fund by \$6,308 in 2010 and Gasoline Tax Fund by \$4,785 in 2010.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 28, 2011, the date of the independent auditor's report.

The Township closed their investment account in the second quarter of 2011.



TaylorApplegateHughes
AND ASSOCIATES, LTD

CERTIFIED PUBLIC
ACCOUNTANTS +
BUSINESS ADVISORS

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***

Pleasant Township
P.O. Box 39
Catawba, Ohio 43010

To the Board of Trustees:

We have audited the financial statements of Pleasant Township, Clark County, (the Township) as of and for the years ended December 31, 2010, and 2009, and have issued our report thereon dated June 28, 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 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.

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 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider the findings 2010-01 through 2010-04 and 2010-10 described in the accompanying schedule of findings to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatements, 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-09.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 28, 2011.

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

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 28, 2011

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-01

Noncompliance/Material Weakness

Ohio Revised Code Section 5705.10 requires money paid into any fund shall be used only for the purpose for which such fund is established. Deficit fund balances denote that other funds' monies were used to cover expenditures. The Road District Fund had a deficit balance of \$2,479 at December 31, 2008. The deficit balance resulted from audit adjustments made for Road District Fund disbursements that were originally posted to the Motor Vehicle and Gasoline Fund.

The Motor Vehicle License Tax had a deficit balance of \$3,908 at December 31, 2009 and \$4,268 at December 31, 2010. The deficit balance resulted from prior year audit adjustments made to correct mispostings of payroll taxes and 2009 and 2010 misposting of interest income.

We recommend the Fiscal Officer and Trustees monitor revenue and expenditure postings to the funds in order to detect and correct posting errors timely.

Officials' Response: The negative fund balance in the funds was due to the new clerk unaware of banking interest disbursement. Using methods of the previous clerk disbursement caused errors in the funds. The Clerk will distribute interest correctly and will correct 2011 interest receipts. Also the new clerk was unsure how to make correcting entries of 2008/2009 audit findings and waited until the next audit to question before correcting. All corrections have been made and procedures changed. All funds now have positive balances and will be monitored.

FINDING NUMBER 2010-02

Noncompliance/Material Weakness

Ohio Constitution XII, Section 5a Ohio Constitution and **Code Section 135.21** require that interest earned on money must be credited to the general fund of the subdivision unless an exception applies. 1982 Op. Atty Gen. No. 82-031 requires that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. Interest earned on deposits from the Motor Vehicle License Tax and Gasoline Tax Funds was not credited proportionately to the General Fund during 2009 and 2010. An adjustment of \$4,084 from the Gasoline Tax Fund and \$1,197 from the Motor Vehicle License Tax Fund to the General Fund was required to properly distribute the 2009 interest. An adjustment of \$1,705 from the Gasoline Tax Fund and \$568 from the Motor Vehicle License Fund to the General Fund was required to properly distribute the 2010 interest.

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDING NUMBER 2010-02, continued

The Township's Fiscal Officer should properly distribute interest to the appropriate funds based on average monthly cash fund balances of the funds required to receive interest.

The Township has posted the adjustments to their accounting records and the accompanying financial statements.

Officials' Response: The negative fund balance in the funds was due to the new clerk unaware of banking interest disbursement. Using methods of the previous clerk disbursement caused errors in the funds. The Clerk will distribute interest correctly and will correct 2011 interest receipts. Also the new clerk was unsure how to make correcting entries of 2008/2009 audit findings and waited until the next audit to question before correcting. All corrections have been made and procedures changed. All funds now have positive balances and will be monitored.

FINDING NUMBER 2010-03

Noncompliance/Material Weakness

Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificated reflecting the deficiency.

At December 31, 2009, the Township had appropriations greater than actual resources, in the following funds:

	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Motor Vehicle License Fund	\$51,300	\$56,500	(\$5,200)
Road District	79,172	107,500	(28,328)

At December 31, 2010, the Township had appropriations greater than actual resources, in the following funds:

	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Motor Vehicle License Fund	\$32,884	\$41,800	(\$8,916)
Gasoline Fund	138,309	140,500	(2,191)
Fire District Fund	421,328	435,000	(13,672)
Road District Fund	110,082	114,000	(3,918)
Fire and Rescue	120,326	146,000	(25,674)

By appropriating more funds than actual resources, the Village is at risk of spending more money than is available; this may result in deficit fund balances. The appropriations ledger should be monitored by Village officials to periodically compare appropriations to actual resources and obtain decreased amended appropriations as needed.

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDING NUMBER 2010-03, continued

Officials' Response: The negative fund balance in the funds was due to the new clerk unaware of banking interest disbursement. Using methods of the previous clerk disbursement caused errors in the funds. The Clerk will distribute interest correctly and will correct 2011 interest receipts. Also the new clerk was unsure how to make correcting entries of 2008/2009 audit findings and waited until the next audit to question before correcting. All corrections have been made and procedures changed. All funds now have positive balances and will be monitored.

FINDING NUMBER 2010-04

Noncompliance/Material Weakness

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total official estimate or amended official estimated revenue available for expenditure.

At December 31, 2009, the Township had appropriations in excess of estimated resources, in the following fund:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Road Fund	\$76,854	\$107,500	(\$30,646)

At December 31, 2010, the Township had appropriations in excess of estimated resources, in the following funds:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Motor Vehicle License	\$ 35,492	\$ 41,800	(\$6,308)
Gasoline	135,715	140,500	(4,785)
Road District	111,810	114,000	(2,190)

Failure to determine that appropriations are within estimated resources could lead to deficit spending and deficit fund balances. The appropriation ledger should be monitored by Township Officials to periodically verify that appropriations are within total estimated resources.

Officials' Response: The negative fund balance in the funds was due to the new clerk unaware of banking interest disbursement. Using methods of the previous clerk disbursement caused errors in the funds. The Clerk will distribute interest correctly and will correct 2011 interest receipts. Also the new clerk was unsure how to make correcting entries of 2008/2009 audit findings and waited until the next audit to question before correcting. All corrections have been made and procedures changed. All funds now have positive balances and will be monitored.

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDING NUMBER 2010-05

Noncompliance

26 USC 3102(a) requires public employers to withhold Social Security and Medicare or "payroll tax" from employees hired on or after April 1, 1986. Generally, the payroll tax is mandatory on everyone in employment earning "wages" as defined in 3121 of the Internal Revenue Code. The Township did not withhold Social Security and Medicare taxes from several of the Firefighters for their quarterly run pay during 2009 and 2010. The Township also did not withhold Medicare tax from year-end bonuses given to 2 Township employees and did not withhold Social Security and Medicare taxes from year-end bonuses given to officers of the Fire Department during 2009 and 2010.

To comply with the abovementioned section of code, the Township should contact the IRS and rectify such issues and procedures should be put in place to remit tax withholdings in a timely manner. Failure to do so could result in assessment of fines and penalties by the IRS.

Officials' Response: The Clerk has notified the IRS and needed forms to make corrections are being sent to the Township. The Township has made changes to payroll policy so this will not happen again.

FINDING NUMBER 2010-06

Noncompliance

26 USC 3402(a)(1) requires that, in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

Ohio Rev. Code 5747.06(A) requires that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the compensation included in the employee's adjusted gross income during the calendar year.

The Township did not withhold any federal, state or local taxes from several of the firefighters for their quarterly run pay during 2009 and 2010. The Township also did not withhold federal, state or local taxes from year-end bonuses given to 2 Township employees and did not withhold federal, state or local taxes from year-end bonuses given to officers of the Fire Department during 2009 and 2010.

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDING NUMBER 2010-06, continued

The Township should contact the taxing agencies to rectify these issues and procedures should be put in place to remit withholdings in a timely manner. Failure to do so could result in assessment of fines and penalties by the Internal Revenue Service and the Ohio Department of Taxation.

Officials' Response: The Clerk has notified the IRS and needed forms to make corrections are being sent to the Township. The Township has made changes to payroll policy so this will not happen again.

FINDING NUMBER 2010-07

Noncompliance

Ohio Rev. Code Section 145.03 (A) requires that membership in the public retirement system is compulsory upon being employed and shall continue as long as public employment continues.

Pursuant to Ohio Rev. Code Section 145.2 membership in the retirement system is optional for elected officials. Pursuant to 26 USC Section 3101 and Section 3102, employees who are not members of retirement systems shall be required to pay into the social security system.

The Township did not withhold OPERS from year-end bonuses given to 2 Township employees.

The Township should contact OPERS to rectify this issue and procedures should be put in place to remit OPERS withholdings in a timely manner. Failure to do so could result in assessment of penalties against the Township.

Officials' Response: The Clerk has notified the IRS and needed forms to make corrections are being sent to the Township. The Township has made changes to payroll policy so this will not happen again.

FINDING NUMBER 2010-08

Noncompliance

26CFR 1.6041-2 Return of information as to payments to employees state that: (a)(1) In general, wages, as defined in section 3401, paid to an employee are required to be reported on Form W-2.

The Township did not report bonuses paid to 2 Government employees and the officers of the Fire Department on Form W-2 for 2009 and 2010. The Township did report wages earned from quarterly runs of several firefighters on Form W-2.

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDING NUMBER 2010-08, continued

The Township should establish policies and procedures to verify that payments to the employees of the Township are reported on the W-2 Form at the end of the year. This would assist the employees during their tax filing process and assist the federal, state and local authorities in detecting tax evasion. Failure to do so could result in assessment of fines and penalties by the Internal Revenue Service and the Ohio Department of Taxation.

Officials' Response: The Clerk has notified the IRS and needed forms to make corrections are being sent to the Township. The Township has made changes to payroll policy so this will not happen again.

FINDING NUMBER 2010-09

Noncompliance

Ohio Rev. Code Sections 135.14 and 133.03(A)(1) state the following classifications of obligations are eligible for investment or deposit:

- United States obligations or any other obligation guaranteed as to principal and interest by the United States. This law prohibits investing in stripped principal or interest obligations, [13.14(B)B(1)]
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities must be direct issuances of federal government agencies or instrumentalities. [135.14(B)(2)]
- Interim deposits in the eligible institutions applying for interim monies as provided in Ohio Rev. Code 135.08. [135.14(B)(3)]
- Per 135.13, Interim deposits are certificates of deposit maturing not more than one year from the deposit date, or savings or deposit accounts, including passbook accounts.
- Bonds or other obligations of the State of Ohio [135.14(B)(4)]
- No-Load money market mutual funds consisting exclusively of obligations described in (B)(1) or (2) of Ohio Rev. Code 135.14, and repurchase agreements secured by such obligations, provided the government purchases the money market mutual fund only through eligible institutions mentioned in Ohio Rev. Code 135.03 (which are, generally, Ohio banks and national banks authorized to do business in Ohio). [135.14(B)(5)] Also, per RC 135.01 (O)(2), these funds must have the highest letter or numerical rating provided by at least one nationally recognized standard rating service.
- The Ohio Subdivisions Fund (STAR Ohio) as provided in Ohio Rev. Code 135.45 [135.14(B)(6)]
- Chapter 133 securities (generally debt instruments Ohio State & local governments have issued) [RC 133.03].

Article VIII, Sections 4 and 6 of the Ohio Constitution, prohibit public bodies from becoming a “stockholder in any joint stock company, corporation or association.”

**PLEASANT TOWNSHIP
CLARK COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDING NUMBER 2010-09, continued

The Township invested in shares of Federated Municipal Ultrashort Fund, Vanguard GNMA Fund Investor Shares, Vanguard Short-Term Investment Grade Fund Investor Shares, Vanguard Inflation-Protected Securities, and Vanguard Intermediate-Term Investment-Grade Fund through Citizens Wealth Management during 2009 and 2010. These are high risk investments and prohibited by the Ohio Rev. Code Section 135.14 and 133.03 (A)(1). Citizens Wealth Management is not an eligible institution.

The Township should verify that all investments are in compliance with the Ohio Revised Code.

The Township closed the investment account with Citizens Wealth Management in 2011 and transferred the funds to an eligible institution.

FINDING NUMBER 2010-10

Material Weakness

Accuracy of Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required audit adjustments and reclassifications. The financial statements have been adjusted for the following errors:

- Intergovernmental Receipts was overstated by \$348,000 and Loan proceeds was understated by \$348,000 during 2009.
- General Government Special Revenue disbursements were misclassified by \$332,900 in 2009. Public Safety disbursements were misclassified by \$46,405, Public Works disbursements were misclassified by \$249,976 and Health disbursements were misclassified by \$36,519 in 2009.
- General Government Special Revenue disbursements were misclassified by \$377,854 in 2010. Public Safety disbursements were misclassified by \$54,833, Public Works disbursements were misclassified by \$306,551 and Health disbursements were misclassified by \$16,470 in 2010.

Sound financial reporting is the responsibility of the Clerk and the Township Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Clerk should review the Ohio Township Handbook, Auditor of State Bulletins, and other resources for guidance in correctly classifying receipts and disbursements. Additionally the Township Trustees should periodically perform a review of the receipt and disbursement ledgers to help identify any misclassifications.

**PLEASANT TOWNSHIP
CLARK COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-01	ORC 5705.41(D) – not properly certifying the availability of funds prior to incurring purchase obligations.	Yes	
2008-02	ORC 5705.1 – monies paid into a fund shall be used only for that fund’s purpose	No	Repeat as Finding 2010-01
2008-03	ORS 5705-36 – Certifying available funds to County Auditor	Yes	
2008-04	Ohio Admin. Section 117-2-02(D) – Lack of sufficient accounting system	Yes	



Dave Yost • Auditor of State

PLEASANT TOWNSHIP

CLARK 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
JANUARY 24, 2012**