



Dave Yost • Auditor of State

PLEASANT TOWNSHIP
CLARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	20

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Pleasant Township
Clark County
PO Box 39
Catawba, Ohio 43010

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Pleasant Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 14, 2013

**PLEASANT TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$22,768	\$346,827		\$369,595
Charges for Services		79,297		79,297
Licenses, Permits and Fee	16,790	28,993		45,783
Intergovernmental	207,234	130,985		338,219
Earnings on Investments	1,361	143	\$8,388	9,892
Miscellaneous	7,197	107,397		114,594
Total Cash Receipts	<u>255,350</u>	<u>693,642</u>	<u>8,388</u>	<u>\$957,380</u>
Cash Disbursements:				
Current:				
General Government	63,899	91,194		155,093
Public Safety		283,548		283,548
Public Works		264,233		264,233
Health		25,339	8,831	34,170
Human Services			3,255	3,255
Debt Service:				
Principal Retirement		46,496		46,496
Total Cash Disbursements	<u>63,899</u>	<u>710,810</u>	<u>12,086</u>	<u>786,795</u>
Net Change in Fund Cash Balances	191,451	(17,168)	(3,698)	170,585
Fund Cash Balances, January 1	<u>34,033</u>	<u>431,238</u>	<u>81,462</u>	<u>546,733</u>
Fund Cash Balances, December 31:				
Non-spendable			75,000	75,000
Restricted		414,070	2,764	416,834
Committed				
Assigned				
Unassigned (Deficit)	225,484			225,484
Fund Cash Balances, December 31	<u>\$225,484</u>	<u>\$414,070</u>	<u>\$77,764</u>	<u>\$717,318</u>

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

**PLEASANT TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$22,652	\$347,704		\$370,356
Charges for Services		91,164		91,164
Licenses, Permits and Fee	10,412	23,673		34,085
Intergovernmental	12,852	141,236		154,088
Earnings on Investments	2,838	134	\$7,502	10,474
Miscellaneous	7,258	63,325	250	70,833
Total Cash Receipts	<u>56,012</u>	<u>667,236</u>	<u>7,752</u>	<u>731,000</u>
Cash Disbursements:				
Current:				
General Government	218,223	280,235		498,458
Public Safety		220,055		220,055
Health			4,623	4,623
Human Services		12,463	741	13,204
Conservation-Recreation		1,482		1,482
Capital Outlay		11,064		11,064
Debt Service:				
Principal Retirement		17,400		17,400
Total Cash Disbursements	<u>218,223</u>	<u>542,699</u>	<u>5,364</u>	<u>766,286</u>
Net Change in Fund Cash Balances	(162,211)	124,537	2,388	(35,286)
Fund Cash Balances, January 1	<u>196,244</u>	<u>306,701</u>	<u>79,074</u>	<u>582,019</u>
Fund Cash Balances, December 31:				
Non-spendable			75,000	75,000
Restricted		431,238	6,462	437,700
Committed				
Assigned				
Unassigned (Deficit)	34,033			34,033
Fund Cash Balances, December 31	<u>\$34,033</u>	<u>\$431,238</u>	<u>\$81,462</u>	<u>\$546,733</u>

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

**PLEASANT TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 the Pleasant Township, Clark County, (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 participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. Note 8 to the financial statements provides additional information for this entity.

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 U.S. Treasury Notes and common stock at cost (or fair value when donated). Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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:

**PLEASANT TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 to pay for constructing, maintaining, and repairing Township roads.

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

Fire and RSC Ambulance EMS Service Fund – This fund collects revenue from the billing of emergency medical services.

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

E. Budgetary Process

The Ohio Revised Code requires that each fund 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. Unencumbered appropriations lapse at year end. The Township had appropriations in excess of actual and estimated resources

2. Estimated Resources

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

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 re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

**PLEASANT TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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

1. Non-spendable

The Township classifies assets as *non-spendable* 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. The Township did not have any committed fund balance.

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. The Township did not have any assigned fund balance.

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.

**PLEASANT TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND EQUITY

For fiscal year 2011, the Township reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

3. 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 deposits and investments at December 31 was as follows:

	2012	2011
Demand deposits	\$521,431	(\$ 31,819)
Money Market account deposits	120,887	503,552
Total deposits	642,318	471,733
Investment Trust Account	75,000	75,000
Total deposits and investments	\$717,318	\$546,733

Deposits: Deposits are 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 Asbury Chapel Cemetery. A financial institution's trust department holds the Township's equity securities in book entry form in the Township's name.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31.2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$241,308	\$255,350	\$ 14,042
Special Revenue	601,276	693,643	92,367
Permanent	10,000	8,388	(1,612)
Total	\$852,584	\$957,381	\$104,797

**PLEASANT TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. BUDGETARY ACTIVITY

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 274,400	\$ 63,899	\$210,501
Special Revenue	1,009,000	710,810	298,190
Permanent	15,000	12,086	2,914
Total	<u>\$1,298,400</u>	<u>\$786,795</u>	<u>\$511,605</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 76,942	\$ 56,012	(\$20,930)
Special Revenue	663,824	667,236	3,412
Permanent	9,400	7,752	(1,648)
Total	<u>\$750,166</u>	<u>\$731,000</u>	<u>(\$19,166)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 258,500	\$218,223	\$ 40,277
Special Revenue	955,385	542,699	412,686
Permanent	12,300	5,364	6,936
Total	<u>\$1,226,185</u>	<u>\$766,286</u>	<u>\$459,899</u>

5. 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.

**PLEASANT TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
OPWC	\$304,500	0%

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.

Road Repair Machine Note – The Township obtained a note from Security National Bank on June 28, 2011 for the purchase of a road repair machine in the amount of \$28,225. The note was paid in full by the Township in August 2012.

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

Year ending December 31:	OPWC
2013	\$ 17,400
2014	17,400
2015	17,400
2016	17,400
2017	17,400
2018-2022	87,000
2023-2027	87,000
2027-2030	43,500
Total	\$304,500

7. 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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

B. Social Security

Several employees contributed to Social Security in 2012 and 2011. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2012 and 2011, employees contributed 4.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

**PLEASANT TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 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.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2012 (the latest information available):

	2011	2012
Assets	\$35,086,165	\$34,711,270
Liabilities	(9,718,792)	(9,718,792)
Net Assets	\$25,367,373	\$25,367,373

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$11,000.

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.

**PLEASANT TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. RISK MANAGEMENT (Continued)

Contributions to OTARMA	
2012	2011
<u>\$20,589</u>	<u>\$18,530</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to 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 occurred or was reported prior to the withdrawal.



Dave Yost • Auditor of State

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

Pleasant Township
Clark County
PO Box 39
Catawba, Ohio 43010

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Pleasant Township, Clark County, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 14, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted that during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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. We consider finding 2012-002 and 2012-003 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 2012-001, 2012-003, 2012-004, and 2012-005.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

October 14, 2013

PLEASANT TOWNSHIP
CLARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous 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.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.
 - Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. **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 a 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.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township failed to properly certify forty of seventy-five (53%) expenditures tested during 2011 and 2012.

**FINDING NUMBER 2012-001
(CONTINUED)**

The Township should implement procedures to ensure all transactions are properly encumbered and certified in order to prevent unnecessary and unauthorized expenditures. 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.

Officials' Response:

We will do blanket certificates at the beginning of the year to reduce our regular and then & now purchase orders so they are properly encumbered.

FINDING NUMBER 2012-002

Material Weakness

The Township received revenues from sources including local government funds from the County Auditor which should be classified as Intergovernmental Revenues as they are passed from the State to the County.

The Township improperly classified several items during 2011 and 2012. Improperly posted items include:

FY11

- Intergovernmental Revenue of \$3,175 was improperly classified as General Property Tax Revenue in the General Fund. The financials were not adjusted for this error.
- Intergovernmental Revenue of \$50,564 was improperly classified as General Property Tax Revenue in the Special Revenue Funds. The financials were adjusted for this error.
- Intergovernmental Revenue of \$4,950 was improperly classified as Miscellaneous Revenue in the Special Revenue Funds. The financial were not adjusted for this error.
- Loan Proceeds of \$28,255 for the Township's dura-patch machine loan were improperly classified as Miscellaneous Revenue rather than Other Financing Sources. The financials were not adjusted for this error.
- Charges for Services of \$81,664 were improperly classified as Licenses, Permits, and Fees in the Special Revenue Funds. The financials were adjusted for this error.

FY12

- Intergovernmental Revenue of \$3,211 was improperly classified as General Property Tax Revenue in the General Fund. The financials were not adjusted for this error.
- Intergovernmental Revenue of \$50,738 was improperly classified as General Property Tax Revenue in the Special Revenue Funds. The financials were adjusted for this error.
- Intergovernmental Revenue of \$6,837 was improperly classified as Miscellaneous Revenue in the Special Revenue Funds. The financials were not adjusted for this error.
- A \$21,493 principal payment was improperly recorded as capital outlay in the General Fund when it should have been recorded as principal retirement in the Special Revenue Funds. The financials were adjusted for this error.
- Charges for Services of \$68,797 were improperly classified as Licenses, Permits, and Fees in the Special Revenue Funds. The financials were adjusted for this error.

The Fiscal Officer should review the Ohio Revised Code, the Ohio Township Handbook, and other applicable guidance to determine the proper revenue classification codes based on the type of revenue received and properly classify the revenues received by the Township from various sources. The proper classification of revenues and balances is essential for the annual financial reports to accurately reflect the Township activity.

**FINDING NUMBER 2012-002
(Continued)**

Officials' Response:

Fiscal officer will move rollback receipts from general property tax fund to intergovernmental revenue and receipt future income as listed. She will also move EMS collection from fees to charges for services in UAN.

FINDING NUMBER 2012-003

Noncompliance Citation and Material Weakness

Ohio Revised Code Section 135.21 provides, in part, that interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs. All other interest earned must be credited to the general fund of the subdivision, with the following exceptions:

- Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.
- Interest earned on principal of a non-expendable trust fund established to receive donations or contributions that the donor or contributor requires to be maintained intact must be credited to the non-expendable trust fund to which the principal belongs.

The Township is the beneficiary of the John C. McClenen Testamentary Trust, which is a non-expendable trust established for the benefit of the Township's cemetery. The Township received quarterly payments from CitizensWealth Management, who holds the trust, for interest and dividends earned on this investment. These receipts are required to be recorded in the John C. McClenen Cemetery Trust fund as it is the fund to which the principal belongs.

During 2012, the Township recorded an interest receipt from CitizensWealth Management of \$1,797.89 in the general fund rather than the John C. McClenen Cemetery Trust Fund. The financial statements and Township records were adjusted for this error.

The Township should have procedures in place to verify that all receipts are recorded in the appropriate funds. If the Township does not implement such procedures, they are at risk of materially misstating interest income.

Officials' Response:

Fiscal Officer will do a fund balance adjustment to correct the interest being posted to the general fund instead of the trust fund.

FINDING NUMBER 2012-004

Noncompliance Citation

Ohio Rev. 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 certificate reflecting the deficiency.

**FINDING NUMBER 2012-004
 (Continued)**

At December 31, 2011, the Township had appropriations greater than actual resources in the following funds:

	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$237,720	\$258,500	(\$20,780)
Road District Fund	66,207	90,000	(23,793)
Fire and Rescue, Ambulance and EMS Service Fund	109,886	121,900	(12,014)

At December 31, 2012, 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 Tax Fund	\$43,960	\$45,000	(\$1,040)
Fire and Rescue, Ambulance and EMS Service Fund	96,738	115,000	(18,262)

By appropriating more funds than actual resources, the Township is at risk of spending more money than is available. This may result in deficit fund balances. The Township should monitor estimated and actual revenues throughout the year and obtain an amended certificate if revenues are going to significantly vary from the original estimate to prevent over-appropriating available resources at the fund level.

Officials' Response:

Grant money was received and the fiscal officer forgot to do an amended certificate to the county auditor. Fiscal officer will monitor her revenue and expense comparison quarterly to prevent this from happening again.

FINDING NUMBER 2012-005

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides in part that the total appropriation from each fund shall not exceed the total estimated resources for the respective fund. Further, no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate of resources.

At December 31, 2011, the Township had appropriations in excess of estimated resources in the following funds:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	238,650	\$258,500	(\$19,850)
Road District Fund	68,120	90,000	(21,880)
Fire and Rescue, Ambulance and EMS Service Fund	111,924	121,900	(9,976)

At December 31, 2012, the Township had appropriations in excess of estimated resources in the following funds:

FINDING NUMBER 2012-005
(Continued)

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Motor Vehicle License Tax Fund	\$43,960	\$45,000	(\$1,040)
Fire and Rescue, Ambulance and EMS Service Fund	96,738	115,000	(18,262)

The Township should develop and implement procedures to properly develop and monitor its budgetary expectations relating to appropriations and available resources. This would enable the Township to comply with budgetary requirements while limiting the risk of spending more than is available. When additional money becomes available, the Township should amend its certificate and appropriations accordingly if the money is intended to be spent.

Officials' Response:

Grant money was received and the fiscal officer forgot to do an amended certificate to the county auditor. Fiscal officer will monitor her revenue and expense comparison quarterly to prevent this from happening again.

**PLEASANT TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	ORC 5705.10 – deficit fund balances	Yes	
2010-02	Ohio Constitution XII, Section 5a Ohio Constitution and ORC135.21 – interest earned on deposits from Motor Vehicle License Tax and Gasoline Tax funds should follow principal	Yes	
2010-03	ORC 5705.36(A)(4) – appropriations exceed actual resources	No	Repeated as Finding Number 2012-004
2010-04	ORC 5705.39 – appropriations exceed estimated resources	No	Repeated as Finding Number 2012-005
2010-05	26 USC 3102(a) – failure to withhold Social Security and Medicare taxes	Yes	
2010-06	26 USC 3402(a)(1) and ORC 5747.06(A) – failure to withhold federal, state, and local taxes	Yes	
2010-07	ORC 145.03(A) and 145.2 – failure to withhold OPERS	Yes	
2010-08	26 CFR 1.6041-2 – failure to report bonuses paid to employees	Yes	
2010-09	ORC 135.14 and 133.03(A)(1) – eligibility of investments	Yes	
2010-10	Accuracy of Financial Reporting	No	Repeated as Finding 2012-002



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
NOVEMBER 12, 2013**