



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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PLEASANT TOWNSHIP  
BROWN COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2012 and 2011  
Fiscal Years Audited Under GAGAS: 2012 and 2011





# Dave Yost • Auditor of State

Board of Trustees  
Pleasant Township  
4090 Drake Marshall Road  
Georgetown, Ohio 45121

We have reviewed the *Independent Auditor's Report* of Pleasant Township, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

September 18, 2013

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**Pleasant Township**  
**Brown County, Ohio**  
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*For the Fiscal Years Ended December 31, 2012 and 2011*

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### **Independent Auditor's Report**

Pleasant Township  
Brown County  
4090 Drake Marshall Rd  
Georgetown, Ohio 45121

To the Board of Trustees:

### **Report on the Financial Statements**

We have audited the accompanying financial statements and related notes of Pleasant Township, Brown 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.

Pleasant Township  
Brown County  
Independent Auditor's Report

### **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 years then ended.

### **Opinion on Regulatory Basis of Accounting**

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Pleasant Township, Brown 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 described in Note 8 to the financial statements, during 2011, the 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 June 14, 2013, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 Standard* in considering the Township's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Wheelersburg, Ohio  
June 14, 2013

**Pleasant Township, Brown County**  
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2012

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 44,806	\$ 34,747	\$ -	\$ 79,553
Intergovernmental	151,342	110,112	-	261,454
Licenses, Permits and Fees	127,138	-	-	127,138
Interest	85	10	2	97
Miscellaneous	2,495	-	-	2,495
<i>Total Cash Receipts</i>	<u>325,866</u>	<u>144,869</u>	<u>2</u>	<u>470,737</u>
<b>Cash Disbursements</b>				
Current:				
General Government	120,114	-	24	120,138
Public Safety	-	39,117	-	39,117
Public Works	-	18,017	-	18,017
Capital Outlay	-	10,224	-	10,224
<i>Total Cash Disbursements</i>	<u>120,114</u>	<u>67,358</u>	<u>24</u>	<u>187,496</u>
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	<u>205,752</u>	<u>77,511</u>	<u>(22)</u>	<u>283,241</u>
<i>Net Change in Fund Cash Balances</i>	205,752	77,511	(22)	283,241
<i>Fund Cash Balances, January 1</i>	<u>510,150</u>	<u>191,096</u>	<u>1,977</u>	<u>703,223</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	1,750	1,750
Restricted	-	268,607	205	268,812
Unassigned (Deficit)	715,902	-	-	715,902
<i>Fund Cash Balances, December 31</i>	<u>\$ 715,902</u>	<u>\$ 268,607</u>	<u>\$ 1,955</u>	<u>\$ 986,464</u>

See accompanying notes to the financial statements.

**Pleasant Township, Brown County**  
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2011

	Governmental Fund Types			Totals
	General	Special Revenue	Permanent	(Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 46,144	\$ 33,162	\$ -	\$ 79,306
Intergovernmental	77,862	100,729	-	178,591
Licenses, Permits and Fees	134,516	-	-	134,516
Interest	240	78	2	320
Miscellaneous	928	-	-	928
<i>Total Cash Receipts</i>	<u>259,690</u>	<u>133,969</u>	<u>2</u>	<u>393,661</u>
<b>Cash Disbursements</b>				
Current:				
General Government	117,017	-	24	117,041
Public Safety	-	38,578	-	38,578
Public Works	-	39,815	-	39,815
<i>Total Cash Disbursements</i>	<u>117,017</u>	<u>78,393</u>	<u>24</u>	<u>195,434</u>
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	<u>142,673</u>	<u>55,576</u>	<u>(22)</u>	<u>198,227</u>
<i>Net Change in Fund Cash Balances</i>	142,673	55,576	(22)	198,227
<i>Fund Cash Balances, January 1</i>	<u>367,477</u>	<u>135,520</u>	<u>1,999</u>	<u>504,996</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	1,750	1,750
Restricted	-	191,096	227	191,323
Unassigned (Deficit)	510,150	-	-	510,150
<i>Fund Cash Balances, December 31</i>	<u>\$ 510,150</u>	<u>\$ 191,096</u>	<u>\$ 1,977</u>	<u>\$ 703,223</u>

See accompanying notes to the financial statements.

**PLEASANT TOWNSHIP  
BROWN 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, Brown 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 governmental services, road maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of Georgetown to provide fire services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Deposits**

The township deposits all available funds in an interest earning checking account at a local commercial bank. All deposits are valued at cost.

**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 the 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:

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

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

**PLEASANT TOWNSHIP  
BROWN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Permanent Fund**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available for expenditure. The Township had the following permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the Gordon Trust and Ellis Trust for use in the general maintenance and upkeep of the cemetery.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not use the encumbrance method of accounting.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**PLEASANT TOWNSHIP  
BROWN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (continued)**

**2. Restricted**

Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**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 acquisition of property, plant and equipments when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED CASH**

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

	2012	2011
Demand Deposits	\$ 984,509	\$ 701,246
Savings Accounts	1,955	1,977
	<u>\$ 986,464</u>	<u>\$ 703,223</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**PLEASANT TOWNSHIP  
BROWN COUNTY**

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

**3. 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	\$ 182,867	\$ 325,866	\$ 142,999
Special Revenue	\$ 129,700	\$ 144,869	\$ 15,169
Permanent	-	2	2
Total	\$ 312,567	\$ 470,737	\$ 158,170

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 691,470	\$ 120,114	\$ 571,356
Special Revenue	\$ 313,525	\$ 67,358	\$ 246,167
Permanent	-	24	(24)
Total	\$ 1,004,995	\$ 187,496	\$ 817,499

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 184,718	\$ 259,690	\$ 74,972
Special Revenue	\$ 127,700	\$ 133,969	\$ 6,269
Permanent	-	2	2
Total	\$ 312,418	\$ 393,661	\$ 81,243

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 540,600	\$ 117,017	\$ 423,583
Special Revenue	\$ 263,366	\$ 78,393	\$ 184,973
Permanent	-	24	(24)
Total	\$ 803,966	\$ 195,434	\$ 608,532

**PLEASANT TOWNSHIP  
BROWN COUNTY**

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. RETIREMENT SYSTEM**

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

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.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

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.

**PLEASANT TOWNSHIP  
BROWN COUNTY**

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

**6. RISK MANAGEMENT**

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 2010 (the latest information available):

	<b>2011</b>	<b>2010</b>
Assets	\$35,086,165	\$35,855,252
Liabilities	(9,718,792)	(10,664,724)
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$4,100.

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.

Contributions to OTARMA	
2012	\$6,098
2011	\$6,008

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.

**7. CONTINGENT LIABILITIES**

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

**PLEASANT TOWNSHIP  
BROWN COUNTY**

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

**8. FUND BALANCES**

The Township implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Special Revenue Funds	Permanent Fund	Total Governmental Funds
<b>12/31/2011</b>				
<b>Nonspendable</b>				
Cemetery Endowment	0	0	1,750	1,750
<b>Restricted for</b>				
Motor Vehicle & License	0	33,343	0	33,343
Gas Tax	0	152,040	-	152,040
Cemetery Maintenance	0	0	227	227
Fire	0	5,712	0	5,712
Total Restricted	<u>0</u>	<u>191,095</u>	<u>227</u>	<u>191,322</u>
<b>Unassigned (Deficit)</b>	<u>510,151</u>	<u>0</u>	<u>0</u>	<u>510,151</u>
Total Fund Balances	<u>\$510,151</u>	<u>\$191,095</u>	<u>\$1,977</u>	<u>\$703,223</u>
<b>12/31/2012</b>				
<b>Nonspendable</b>				
Cemetery Endowment	0	0	1,750	1,750
<b>Restricted for</b>				
Motor Vehicle & License	0	43,150	0	43,150
Gas Tax	0	219,163	-	219,163
Cemetery Maintenance	0	10	205	215
Fire	0	6,284	0	6,284
Total Restricted	<u>0</u>	<u>268,607</u>	<u>205</u>	<u>268,812</u>
<b>Unassigned (Deficit)</b>	<u>715,902</u>	<u>0</u>	<u>0</u>	<u>715,902</u>
Total Fund Balances	<u>\$715,902</u>	<u>\$268,607</u>	<u>\$1,955</u>	<u>\$986,464</u>

**9. COMPLIANCE**

The Township did not comply with material laws and regulations as follows:

- Contrary to Ohio Revised Code (ORC) Section 733.28 and Ohio Administrative Code (OAC) 117-2-02(A) the Township did not maintain adequate accounting records.
- Contrary to ORC Section 117.38 the Township did not file a substantially complete financial report for either 2011 or 2012.
- Contrary to ORC Section 5705.41 (D), the Township did not use purchase orders.
- Contrary to ORC Section 505.60 and 505.601, the Township did not properly reimbursement employees for insurance premiums



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

Pleasant Township  
Brown County  
4090 Drake Marshall Rd  
Georgetown, Ohio 45121

To the Board of Trustees:

We have audited, in accordance with the 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, Brown 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 June 14, 2013, wherein we noted the Township followed accounting and financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, described in Note 1 and implemented 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 opinion on the financial statements, but 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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2012-001 through 2012-006 described in the accompanying schedule of findings to be material weaknesses.

### **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 2012-004 through 2012-007.

### **Entity's Response to Findings**

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.

### **Purpose of this Report**

This report only describes the scope of our internal control testing 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.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Wheelersburg, Ohio  
June 14, 2013

**PLEASANT TOWNSHIP  
BROWN COUNTY  
DECEMBER 31, 2012 AND 2011  
SCHEDULE OF FINDINGS**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Material Weakness- Financial reporting**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- Property Tax revenue
- Intergovernmental revenue
- Miscellaneous Revenue
- Interest Revenue
- General Government
- Public Safety Expense
- Public Works Expense
- Capital Outlay
- Fund Balance Classifications

The aforementioned adjustments and reclassifications have been posted to the financial statements as well as the client's accounting system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

**Client Response:**

We did not receive a response from the client regarding this finding.

**FINDING NUMBER 2012-002**

**Material Weakness- Reconciling**

The Township did not complete accurate reconciliations on a month to month basis. An accurate listing of reconciling items was not kept which caused errors within the reconciliation from month to month. Not all checks recorded in the Cash Journal corresponded with the checks found on the bank statements. Additionally, checks that were withdrawn from the Township's general checking account were not recorded in the Cash Journal.

Monthly reconciliations were not reviewed by anyone other than the fiscal officer.

The aforementioned errors were the result of a lack of internal controls over reconciling of the Township's bank account. The Township is now reconciled as of December 31, 2012 and appropriate adjustments have been posted to their accounting system.

The Township should implement application and monitoring controls to ensure that reconciliations are accurately completed and contain support for any reconciling items.

**Client Response:**

We did not receive a response from the client regarding this finding.

**PLEASANT TOWNSHIP  
BROWN COUNTY  
DECEMBER 31, 2012 AND 2011  
SCHEDULE OF FINDINGS**

**FINDING NUMBER 2012-003**

**Material Weakness- Permanent Fund**

The Permanent cemetery trust funds were not accounted for in the cash journal, were not included on the monthly bank reconciliations, and were not reported in the annual financial report. Furthermore, the Township did not have copies of these bank statements or any information relating to the accounts.

Failure to account for the funds increases the risk that they could be forgotten or misused. These funds have been recorded in the financial statements and are now properly posted to the Township's accounting records.

We recommend that the Township properly account for these funds by including them on the accounting ledgers, monthly reconciliations, and annual financial reports.

**Client Response:**

We did not receive a response from the client regarding this finding.

**FINDING NUMBER 2012-004**

**Material Weakness/Material Noncompliance**

Ohio Revised Code Section 733.28 provides that the Township clerk shall keep the books of the Township, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, Ohio Administrative Code Section 117-2-02(A) states that all public offices are required to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the administrative code.

The Township's Appropriation Ledger and Receipt Journal did not agree to the Cash Journal for 2011 or 2012. Furthermore, the Cash Journal for both 2011 and 2012 had several footing errors and several instances in which a transaction was not recorded or not recorded properly. Voided checks were not removed from the Cash Journal in both 2011 and 2012 which caused fund balances to be inaccurate. The Township also did not complete accurate financial reports to be submitted on an annual basis.

In addition, we noted several instances in 2011 in which vouchers and/or invoices could not be located, however, based on the vendor and review of the minutes record, we were able to determine that these purchases were for a proper public purpose.

We also noted one instance in which the township overpaid a vendor in 2011 by \$220.50 and upon review of the remaining invoices and cash journal through December 31, 2012, there does not appear that a credit has been given for the overpayment. One instance in 2011 was also noted in which the check did not appear to have the same endorsement by the payee as previous endorsements.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position.

We recommend the Township ensure that proper documentation is maintained for all receipts and expenditures. The Township should implement procedures to ensure that accounting records of the Township are accurate and complete.

We also recommend the Township follow-up on with the vendor that appears to have been overpaid as well as with the vendor that appears to have a different endorsement on the check.

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

**Material Weakness/Material Noncompliance**

Furthermore, the Township should take the following steps in addressing these issues:

- Designate the Clerk and Trustees as having the primary responsibility of ensuring that all audit findings are properly addressed in a timely manner.
- Organize and hold monthly meetings to discuss and develop an action plan to address all audit findings, monitor progress on the action plan, and review specific action taken for each of the findings.
- Have the Clerk, in conjunction with the Trustees, develop a monthly, quarterly, and annual check sheet to document key actions performed which are an integral part of the financial accounting and reporting process. The check sheet(s) should include such items as monthly bank reconciliations, monthly financial reports, including a monthly review of budget and actual information and determination of whether budgetary documents require amendments, submission of various tax remittances for federal , state, and local governments, filing of appropriate forms for federal, state, and local governments, reconciliation of tax remittances with the appropriate tax forms, and any other key items. The check sheet should be prepared by the Clerk and approved by the Trustees.
- The Clerk should go over the check sheet at the monthly meetings, and it should be approved by the Trustees.

**Client Response:**

We did not receive a response from the client regarding this finding.

**FINDING NUMBER 2012-005**

**Material Weakness/Material Noncompliance**

Per Ohio Rev. Code §117.38, cash-basis entities must file annual reports with the Auditor of State. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750. The AOS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The reports for both 2011 and 2012 filed by the Township were not substantially complete.

We recommend that the Township ensure that their financial statements filed are accurate and complete or hire an outside consultant to assist in their preparation.

**Client Response:**

We did not receive a response from the client regarding this finding.

**FINDING NUMBER 2012-006**

**Material Weakness/Material Noncompliance**

Ohio Rev. Code, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

This section also provides two “exceptions” to the above requirements:

**PLEASANT TOWNSHIP  
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**FINDING NUMBER 2012-006 (Continued)**

**Material Weakness/Material Noncompliance**

- A. 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 or the amount due. 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 maybe 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.

- B. 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 on particular line item appropriation.
- C. 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 reasonable 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 Fiscal Officer’s certification was not utilized for any disbursement made by the Township. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statue but also is a key control in the disbursement process to assure that purchase commitments received prior approval. To improve controls over disbursements and help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used, however, “then and now” certifications should only be used in limited circumstances when prior certificate is not possible, and should not be used to avoid prior certification.

We recommend the Township personnel obtain the Fiscal Officer’s certification of availability of funds prior to incurring the commitment. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

**Client Response:**

As of 2013 purchase orders have been started as work practice.

**PLEASANT TOWNSHIP  
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DECEMBER 31, 2012 AND 2011  
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**FINDING NUMBER 2012-007**

**Material Noncompliance**

Ohio Rev. Code §505.60 and 505.601, AOS Bulletin 2009-003, and 2005 Op. Atty. Gen. No. 2005-038 - Reimbursement of insurance premiums – Townships. Townships may reimburse a township officer or employee for out-of-pocket premiums for insurance policies, including long-term care insurance. The reimbursement is permitted for a township officer or employee who is denied coverage under a township health care plan established pursuant to Ohio Rev. Code §505.60, or who elects not to participate in the township's plan. House Bill 458 clarifies that the township may reimburse for each out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits that the board could have provided under Ohio Rev. Code §505.60(A). The reimbursement cannot exceed an amount equal to the average premium paid by the township under any health care plan it procures [Ohio Rev. Code §505.60(D)]

A township not procuring health care benefits for its officers and employees is permitted to reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs. However, pursuant to Ohio Rev. Code §505.601, the township must meet the following three conditions:

1. The board of township trustees adopts a resolution stating that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium,
2. The resolution provides for a uniform maximum monthly or yearly payment amount for each officer and employee,
3. The resolution states the specific benefits, pursuant to Ohio Rev. Code §505.60(A), that will be reimbursed.

R.C. 505.601 (reimbursement when a township does not offer health insurance to its officers/employees) covers reimbursements made to township officers/employees for dependent health care coverage. Reimbursement is only for the part of the out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits that the board could have provided under R.C. 505.60(A), and that the reimbursement covers immediate dependents in addition to the officer or employee.

Contrary to the Board's resolutions regarding reimbursement of insurance premiums, one employee and one trustee were paid above the maximum amount established by the resolution in 2012.

We recommend the Township ensure that the Board Resolutions are adhered to when paying out for insurance reimbursements.

**Client Response:**

We did not receive a response from the client regarding this finding.



# Dave Yost • Auditor of State

**PLEASANT TOWNSHIP**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 1, 2013**