



Mary Taylor, CPA
Auditor of State

PLEASANT TOWNSHIP
FRANKLIN COUNTY

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Mary Taylor, CPA
Auditor of State

Pleasant Township
Franklin County
5373 Norton Road
Grove City, Ohio 43123

To the Board of Trustees:

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

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Mary Taylor, CPA
Auditor of State

September 26, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Pleasant Township
Franklin County
5373 Norton Road
Grove City, Ohio 43123

To the Board of Trustees:

We have audited the accompanying financial statements of Pleasant Township, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2007 and 2006. 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 our audit provides a reasonable basis for our opinion.

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

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

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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Pleasant Township, Franklin County, Ohio as of December 31, 2007 and 2006, 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 our report dated September 26, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 26, 2008

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 58,160	\$ 1,542,083	\$ -	\$ -	\$ 1,600,243
Licenses, Permits, and Fees	28,164	2,665	-	-	30,829
Intergovernmental	280,562	286,864	-	-	567,426
Special Assessments	-	20,856	-	-	20,856
Earnings on Investments	52,401	3,362	620	1	56,384
Miscellaneous	681	16,713	-	-	17,394
	<u>419,968</u>	<u>1,872,543</u>	<u>620</u>	<u>1</u>	<u>2,293,132</u>
Cash Disbursements:					
Current:					
General Government	346,196	-	-	-	346,196
Public Safety	-	1,313,244	-	-	1,313,244
Public Works	-	224,911	-	-	224,911
Health	28,140	8,500	-	-	36,640
Contract Services	-	34,291	-	-	34,291
Supplies and Materials	-	41,972	-	-	41,972
Other	-	31,162	-	-	31,162
Capital Outlay	281,417	124,769	-	-	406,186
Debt Service:					
Redemption of Principal	-	60,879	-	-	60,879
Interest and Other Fiscal Charges	-	18,722	-	-	18,722
	<u>655,753</u>	<u>1,858,450</u>	<u>-</u>	<u>-</u>	<u>2,514,203</u>
Total Receipts Over/(Under) Disbursements	<u>(235,785)</u>	<u>14,093</u>	<u>620</u>	<u>1</u>	<u>(221,071)</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	-	10,000	-	-	10,000
Transfers-Out	(10,000)	-	-	-	(10,000)
Other Financing Sources	641	150	-	-	791
	<u>(9,359)</u>	<u>10,150</u>	<u>-</u>	<u>-</u>	<u>791</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(245,144)	24,243	620	1	(220,280)
Fund Cash Balances, January 1	596,792	715,265	17,870	2,329	1,332,256
Fund Cash Balances, December 31	<u>\$ 351,648</u>	<u>\$ 739,508</u>	<u>\$ 18,490</u>	<u>\$ 2,330</u>	<u>\$ 1,111,976</u>

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

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 57,839	\$ 1,535,868	\$ -	\$ -	\$ 1,593,707
Licenses, Permits, and Fees	26,131	4,285	-	-	30,416
Intergovernmental	345,173	281,473	-	-	626,646
Special Assessments	-	21,930	-	-	21,930
Earnings on Investments	41,694	5,231	643	2	47,570
Miscellaneous	848	16,965	-	-	17,813
	<u>471,685</u>	<u>1,865,752</u>	<u>643</u>	<u>2</u>	<u>2,338,082</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	198,621	-	-	-	198,621
Public Safety	-	1,231,090	-	-	1,231,090
Public Works	-	245,177	-	-	245,177
Health	26,572	11,556	-	-	38,128
Contract Services	-	32,939	-	-	32,939
Supplies and Materials	-	30,606	-	-	30,606
Other	-	36,507	-	-	36,507
Capital Outlay	-	83,904	-	-	83,904
Debt Service:					
Redemption of Principal	-	29,554	-	-	29,554
Interest and Other Fiscal Charges	-	2,247	-	-	2,247
	<u>225,193</u>	<u>1,703,580</u>	<u>-</u>	<u>-</u>	<u>1,928,773</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>246,492</u>	<u>162,172</u>	<u>643</u>	<u>2</u>	<u>409,309</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	-	5,000	-	-	5,000
Transfers-Out	(5,000)	-	-	-	(5,000)
Other Financing Sources	813	750	-	-	1,563
	<u>(4,187)</u>	<u>5,750</u>	<u>-</u>	<u>-</u>	<u>1,563</u>
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	242,305	167,922	643	2	410,872
Fund Cash Balances, January 1	354,487	547,343	17,227	2,327	921,384
Fund Cash Balances, December 31	<u>\$ 596,792</u>	<u>\$ 715,265</u>	<u>\$ 17,870</u>	<u>\$ 2,329</u>	<u>\$ 1,332,256</u>

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

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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

The Township'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. Cash 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 certificates of deposit 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 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 Fund:

Fire District Fund - This fund receives property tax money and other intergovernmental revenue for maintaining and operating the Township fire department.

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

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

Capital Equipment Fund - The Township receives interest revenue for the purchase of capital equipment for the Township.

4. 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 Bequest 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 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.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Investments

The Township maintains a cash 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:

	2006	2007
Demand deposits	\$432,256	\$111,976
Certificates of deposit	900,000	1,000,000
Total deposits and investments	\$1,332,256	\$1,111,976

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$424,389	\$420,609	\$3,780
Special Revenue	1,883,224	1,882,693	531
Capital Projects	400	620	(220)
Permanent Fund	12	1	11
Total	\$2,308,025	\$2,303,923	\$4,102

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,045,504	\$665,753	\$379,751
Special Revenue	2,574,163	1,858,450	715,713
Capital Projects	18,270	0	18,270
Permanent Fund	2,341	0	2,341
Total	\$3,640,278	\$2,524,203	\$1,116,075

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$365,692	\$472,498	\$106,806
Special Revenue	1,816,249	1,871,502	55,253
Capital Projects	100	643	543
Permanent Fund	15	2	(13)
Total	\$2,182,056	\$2,344,645	\$162,589

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$720,179	\$230,193	\$489,986
Special Revenue	2,355,811	1,703,580	652,231
Capital Projects	17,327	0	17,327
Permanent Fund	2,342	0	2,342
Total	\$3,095,659	\$1,933,773	\$1,161,886

4. Property Tax

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

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. Capital Leases

Capital leases outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Fifth Third Bank	\$13,127	3.75%
OshKosh Capital	344,338	4.60%
Total	\$357,465	

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Capital Leases (Continued)

In 2003, the Township entered into a capital lease for the purchase of a paramedic vehicle for the Fire Department. The total amount of the loan was \$144,781. The lease is being repaid in monthly payments of \$2,650 over five years at an interest rate of 3.75%. The lease will be paid from the Fire Fund fire levy.

In 2006, the Township entered into a capital lease for the purchase of a new fire truck for the Fire Department. The total amount of the loan was \$374,535. The lease is being repaid in annual installments of \$47,800 over ten years at an interest rate of 4.6%. The lease will be paid from the Fire Fund.

Amortization of the above capital leases, including interest, are scheduled as follows:

Year ending December 31:	Fifth Third Bank Lease	OshKosh Capital Lease
2008	\$13,250	\$47,800
2009		47,800
2010		47,800
2011		47,800
2012		47,800
2013-2016		191,200
Total	<u>\$13,250</u>	<u>\$430,200</u>

6. Retirement Systems

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. Risk Management

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

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

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$19,581. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

<u>Contributions to OTARMA</u>	
2005	\$16,211
2006	\$17,028
2007	\$20,831

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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 budgetary 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.

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Mary Taylor, CPA

Auditor of State

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

Pleasant Township
Franklin County
5373 Norton Road
Grove City, Ohio 43123

To the Board of Trustees:

We have audited the financial statements of the Pleasant Township, Franklin County, Ohio (the Township) as of and for the year ended December 31, 2007 and 2006, and have issued our report thereon dated September 26, 2008, 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-002 is also material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 26, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001, 2007-004 through 2007-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 26, 2008.

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. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 26, 2008

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Cafeteria Plan – Finding for Recovery – Material Noncompliance

Ohio Rev. Code Section 505.603 states a board of township trustees may offer benefits to officers and employees through a cafeteria plan that meets the requirements of section 125 of the “Internal Revenue Code of 1986,” 100 Stat. 2085, 26 U.S.C.A. 125, as amended, after first adopting a policy authorizing an officer or employee to receive a cash payment in lieu of a benefit otherwise offered to township officers or employees under any of those sections, but only if the cash payment does not exceed twenty-five per cent of the cost of premiums or payments that otherwise would be paid by the board for benefits for the officer or employee under an offered policy, contract, or plan. No cash payment in lieu of a benefit shall be made pursuant to this section unless the officer or employee signs a statement affirming that the officer or employee is covered under another health insurance or health care policy, contract, or plan in the case of a health benefit, or a life insurance policy in the case of a life insurance benefit, and setting forth the name of the employer, if any, that sponsors the coverage, the name of the carrier that provides the coverage, and an identifying number of the applicable policy, contract, or plan. Additionally, Section 125 of the Internal Revenue Service Code further indicates that payments made to officers and employees participating in a cafeteria plan in excess of an employee’s expenditures should be reflected on the officers or employees W-2 form as an additional taxable benefit.

The Township passed a resolution authorizing a cafeteria plan be put in place, however no formal plan or policy was adopted by the Board. None of the participating officers and employees signed affidavits affirming they are covered under another policy, with the name of the employer (if any) who sponsored the coverage, the name of the carrier that provides the coverage, and the policy or plan number for the coverage. In addition, the Township did not take steps to obtain documentation and ensure payments made to employees did not exceed the employee’s actual expenditures, which would have required the reporting of cafeteria plan payments in excess of out of pocket costs on the employee’s W-2 form as an additional taxable benefit. As a result Township Trustee Dale Worthington, was paid in excess of the twenty-five percent of the cost of the premium that otherwise would have been paid for him by the Board by \$4,974 throughout fiscal year 2006 and 2007.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dale Worthington, Township Trustee and Ohio Township Association Risk Management Authority, his bonding company, for \$4,974 in favor of the Pleasant Township General Fund. Dale Worthington is primarily liable for the amount he received in overpayment.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State ex rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-001(Continued)

Cafeteria Plan – Finding for Recovery – Material Noncompliance

Therefore, because the following Township Officials approved or signed the improper payments, they are jointly and severally liable for the entire amount of \$4,974: Paula Wilkins, Fiscal Officer, Keith Goldhardt, Trustee, Walter Krebs, Trustee, and Ohio Township Association Risk Management Authority, their bonding company. This recovery is in favor of the Pleasant Township General Fund.

Paula Wilkins, Keith Goldhardt, and Walter Krebs shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Dale Worthington.

In order to strengthen the control process over the Township’s cafeteria plan expenditures, we recommend the following:

- A written policy be developed and adopted by the Board over the cafeteria plan outlining plan eligibility requirements, enrollment application process, documentation required for approval, and the determination process for amounts and rates to be paid to participants which should be approved by the Township’s legal counsel and submitted to the IRS for approval;
- A signed affidavit should be present for all participating in the cafeteria plan which should include:
 - Affirmation they are covered under another policy
 - The name of the employer (if any) who sponsored the coverage
 - The name of the carrier that provides the coverage
 - The policy or plan number for the coverage
- Documentation be obtained on actual out of pocket costs for participants to ensure that payments are not in excess of the employee’s actual expenditures paid which would be required to be reported on their W-2 as an additional taxable benefit. If not corrected, we will refer to the IRS.

Officials’ Response:

As of December 4, 2008, Dale Worthington has repaid \$412 of the finding through payroll withholdings.

FINDING NUMBER 2007-002

Financial Reporting – Material Weakness

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

The Township made the following audit adjustments and reclassifications to the December 31, 2007 and 2006 financial statements and accounting records:

1. For 2007, reclassification of General Fund revenues from Miscellaneous Revenue for \$28,164 to License, Permits, and Fees.
2. For 2007, reclassification of Special Revenue Fund expenditures from Capital Outlay for \$79,601 to Redemption of Principal for \$60,879 and Interest and Fiscal Charges for \$18,722.
3. For 2007, reclassification of Special Revenue Fund revenues from Intergovernmental for \$23,121 and Interest for \$1,121 to Taxes for \$24,242.

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-002 (Continued)

Financial Reporting – Material Weakness

4. For 2007, reclassify \$20,856 in revenues, expenditures, and fund balance within the Special Assessment Fund Type to Special Revenue Fund Type.
5. For 2006, reclassification of General Fund revenues from Miscellaneous Revenue for \$26,131 to License, Permits, and Fees.
6. For 2006, reclassification of Special Revenue Fund expenditures from Capital Outlay for \$31,801 to Redemption of Principal for \$29,554 and Interest and Other Fiscal Charges for \$2,247.
7. For 2006, reclassification of Special Revenue Fund revenues from Intergovernmental for \$21,839 and Interest for \$1,923 to Taxes for \$23,762.
8. For 2006, adjustment of General fund revenues from Taxes for \$24,324 to Special Revenue Fund Taxes for \$24,324. (See Finding 2007-006)

The following audit adjustments and reclassifications were inconsequential to the overall financial statements of the Township and were not posted to the December 31, 2007 and 2006 financial statements.

1. For 2007, reclassification of General Fund revenues from Interest for \$4,782 to Intergovernmental.
2. For 2006, reclassification of General Fund revenues from Taxes for \$5,873 to Intergovernmental.
3. For 2006, adjustment of General Fund revenues to increase Intergovernmental for \$428, and expenditures to increase DRETAC Fees for \$7 and Auditor and Treasurer Fees for \$421.

The adjustments and reclassifications identified above should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the Fiscal Officer and Trustees adopt procedures for the review of the activity posted to the accounting records and subsequent financial statements.

Officials' Response

We did not receive a response from Officials to this finding

FINDING NUMBER 2007-003

Credit Cards – Significant Deficiency

The Township opened a line of credit to purchase supplies and materials for the renovation of the Fire Station. The credit card was provided to and used by the contracted vendor, who was not a Township employee. Over \$56,000 in charges were made to the account by the vendor and paid for by the Township. This practice could result in fraudulent charges or personal items billed to the Township. In addition, the Township utilizes several credit and purchasing cards for miscellaneous purchases. There is no policy regarding the use of such cards. The lack of a policy could lead to improper or unauthorized expenditures. The lack of a policy could also lead to insufficient evidence provided to support expenditures leading to an inability to determine proper posting to the accounting records and financial statements.

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-003 (Continued)

Credit Cards – Significant Deficiency

We recommend the Township only provide credit card usage to those employed by the Township and specifically designated by the Board. We recommend the Township require all supplies and materials related to a contract project be included as part of the proposal and contracted agreement. In addition, we recommend the Board establish credit and purchasing card policies to address such issues as: which individuals are issued credit cards; which individuals are authorized to use the cards; and the type of purchases that can be made; documentation required for purchases made; specific unallowable uses; reporting, monitoring of use by appropriate levels of management; other guidelines the legislative body deems appropriate. The policy should also state that itemized receipts are needed to support expenditures.

Officials' Response

We did not receive a response from Officials to this finding

FINDING NUMBER 2007-004

Board Minutes – Material Noncompliance

White v. Clinton Cty. Bd. of Commrs' (1996), 76 Ohio St.3d 416, Ohio Rev. Code Sections 121.22, 149.43 and 507.04(A) when read together, impose a duty on the Township to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection per *State, ex rel. Fairfield Leader v. Ricketts* (1990), 56 Ohio St.3d 97.

Minute records for the Township for fiscal year 2006 and 2007 were not made available in written format until May 2008. As a result, minute records were not being approved by the trustees in the subsequent meeting, nor signed by the Fiscal Officer as is the practice of the Township. In addition, the minutes for the second half of 2007 were insufficient in detail for adequate public inspection. Failure to maintain adequate detail within the minute records could result in the general public being unable to obtain a complete understanding of the meetings' events.

We recommend the Township ensure meeting minutes are recorded in a timely manner as prescribed by law. We recommend minute records contain the necessary information needed for the general public to read and understand the events of the meeting held. Finally, we recommend all minute records be approved by the Trustees in subsequent meetings and signed by the Fiscal Officer.

Officials' Response

We did not receive a response from Officials to this finding

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-005

Contract Bidding – Material Noncompliance

Ohio Revised Code Section 505.37(A) allows a board of township trustees to establish all necessary rules to guard against the occurrence of fires and to protect the property and lives of the citizens against damage and accidents, and requires them to provide for the care and maintenance of fire equipment. Furthermore, the Board may employ one or more persons to maintain and operate fire-fighting equipment, or it may enter into an agreement with a volunteer fire company for the use and operation of fire-fighting equipment.

Ohio Revised Code Section 505.42 allows a board of township trustees to enter into contracts for the purpose set forth in sections 505.37 to 505.42 of the Revised Code, subject to the bidding requirements of sections 731.14 to 731.16 of the Revised Code. These sections require, in part, that when an expenditure exceeds \$25,000, the contract for the expenditure shall be in writing and made with the lowest and best bidder after advertising as required by law.

Ohio Rev. Code Section 153.50 requires separate and distinct bids to be made for the following classes of work, if they exceed \$5,000: plumbing and gas fitting, electrical equipment, steam and hot-water heating, ventilating apparatus, and steam-power plant. Ohio Rev. Code Section 4115.05 requires an entity to obtain the prevailing wages in their area for the types of labor required to complete the project, prior to bidding, if the construction, reconstruction, or enlargement of the public improvement exceeds the prevailing wage threshold. They then need to make sure the contractors who are awarded the contracts agree, in the contract, to pay the prevailing wage.

The Township entered into two contractual agreements for the renovation and building addition to the Fire station, one for \$19,200 and the other for \$20,000. In addition to the Fire station contracts, a credit card in the Township's name was opened and used to buy materials used for the renovation and addition work to the Fire station (See Finding 2007-003 above). The use of two contracts and the Townships purchase of construction materials may be evidence of bid splitting. The sum of the two fire station contracts and credit card invoices exceeded \$82,300, thus, the Fire Station project was required to be bid.

The Township also entered into contractual agreements for HVAC services for \$15,287 and Electrical services for \$8,550 as part of the Fire Station renovation. Each agreement was in excess of \$5,000 and were required to be bid.

The Township also did not obtain prevailing wage documentation for the Fire Station renovation. Nor was prevailing wage agreed to within the signed contract.

We recommend the Township bid all projects in accordance with the Ohio Revised Code. We also recommend the Township abide by the prevailing wage requirements as documented by the Ohio Revised Code.

Officials' Response

We did not receive a response from Officials to this finding

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-006

Tax Revenue Adjustment- Material Non-compliance

Ohio Rev. Code Section 5705.10(D) requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Additionally, Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

Property tax revenue of \$24,324 levied for the Road and Bridge Fund during 2006 was incorrectly posted to the General Fund.

We recommend the Township implement procedures to ensure that all revenues are posted to the proper funds. The Township's financial statements and accounting records have been adjusted to properly reflect this transaction. See finding 2007-002.

Officials' Response

We did not receive a response from Officials to this finding

PLEASANT TOWNSHIP
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 and 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Fiscal Officer Salary – Finding for Recovery	Yes	



Mary Taylor, CPA
Auditor of State

PLEASANT TOWNSHIP

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 31, 2008