



Dave Yost • Auditor of State



**PLEASANT TOWNSHIP  
CLARK COUNTY  
DECEMBER 31, 2016 AND 2015**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

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

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of Pleasant Township, Clark County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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 such 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 opinions.

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

As described in Note 2 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts, and disbursements by fund type, and related notes of Pleasant Township, Clark County as of December 31, 2016 and 2015, 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(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 3, 2018

**Pleasant Township**  
*Clark County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$23,046	\$357,317		\$380,363
Charges for Services		68,908		68,908
Licenses, Permits and Fees	11,745	33,454		45,199
Intergovernmental	21,569	235,231		256,800
Earnings on Investments	1,972	313	\$7,530	9,815
Miscellaneous	7,777	10,306		18,083
<i>Total Cash Receipts</i>	<u>66,109</u>	<u>705,529</u>	<u>7,530</u>	<u>779,168</u>
<b>Cash Disbursements</b>				
Current:				
General Government	71,138	100,888		172,026
Public Safety		244,057		244,057
Public Works		180,127		180,127
Health		27,882	9,842	37,724
Human Services			4,188	4,188
Conservation-Recreation		32		32
Debt Service:				
Principal Retirement		37,843		37,843
Interest and Fiscal Charges		6,303		6,303
<i>Total Cash Disbursements</i>	<u>71,138</u>	<u>597,132</u>	<u>14,030</u>	<u>682,300</u>
<i>Net Change in Fund Cash Balances</i>	(5,029)	108,397	(6,500)	96,868
<i>Fund Cash Balances, January 1</i>	<u>233,121</u>	<u>448,762</u>	<u>82,443</u>	<u>764,326</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable			75,000	75,000
Restricted		557,159	943	558,102
Unassigned	228,092			228,092
<i>Fund Cash Balances, December 31</i>	<u>\$228,092</u>	<u>\$557,159</u>	<u>\$75,943</u>	<u>\$861,194</u>

*See accompanying notes to the financial statement*

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**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Pleasant Township, Clark County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services.

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statement provides additional information for this entity.

The Township's management believes the financial statement presents all activities for which the Township is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

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

***Permanent Funds*** These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

***McClenen Cemetery Trust Fund*** – This fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of Asbury Cemetery.

**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

The financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

The statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***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. Appropriations lapse at year-end.

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

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

A summary of 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values U.S. Treasury Notes and common stock at cost or fair value when donated. Money market mutual funds are recorded at share values the mutual funds report.

***Capital Assets***

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

***Accumulated Leave***

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

**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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:

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

***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.

***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.

***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.

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,152	\$66,109	\$8,957
Special Revenue	628,519	705,529	77,010
Permanent	10,000	7,530	(2,470)
Total	\$695,671	\$779,168	\$83,497

**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 3 – Budgetary Activity (Continued)**

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$280,000	\$71,138	\$208,862
Special Revenue	1,011,200	597,132	414,068
Permanent	15,000	14,030	970
Total	\$1,306,200	\$682,300	\$623,900

**Note 4 – Deposits and Investments**

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

	2016
Demand deposits	\$411,194
Time deposits	375,000
Total deposits	786,194
McClenen Investment Trust Account	75,000
Total deposits and investments	\$861,194

***Deposits***

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

***Investments***

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

**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statement includes 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.

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

**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**Note 6 – Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$11,000.

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

**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**Note 6 – Risk Management (Continued)**

<b>2016 Contributions to OTARMA</b>
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\$24,453
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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.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

***Social Security***

The Township's Fire and Emergency Medical Services employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits, to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to healthcare for OPERS members in the Traditional Pension Plan and Combined Plan was 2 percent during calendar year 2016.

**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC Loan CT50M	\$234,900	0%
2015 Fire Equipment Bonds	194,182	2.59%
Total	\$429,082	

The Township received a \$348,000 loan from the Ohio Public Works Commission (OPWC) in 2010 for reconstruction projects on Pleasant Chapel, Neer, and Silvers Roads. This OPWC loan has a term of 20 years and a 0% interest rate. This OPWC project loan will mature in 2030.

In 2015, the Township issued \$223,325 of fire equipment bonds for the purpose of purchasing a new fire tanker truck. These bonds have a 2.59% interest rate and will mature in 2022.

**Amortization**

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

	OPWC Loan CT50M	2015 Fire Equipment Bonds
Year ending December 31:		
2017	\$17,400	\$35,447
2018	17,400	35,447
2019	17,400	35,447
2020	17,400	35,446
2021	17,400	35,446
2022 - 2026	87,000	35,446
2027 - 2030	60,900	0
Total	\$234,900	\$212,679

**Note 10 – Related Party Transactions**

A Township Trustee is the owner of a company from which the Township acquired services for treating the lawns at the two cemeteries that are maintained by the Township during the year. The Township paid \$2,231 for these services.

A relative of a Township Trustee is the owner of a company from which the Township acquired services for digging graves at the two cemeteries that are maintained by the Township during the year. The Township paid \$3,400 for these services.

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**Pleasant Township**

Clark County, Ohio

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types

For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$23,602	\$364,694			\$388,296
Charges for Services		58,651			58,651
Licenses, Permits and Fees	12,723	26,648			39,371
Intergovernmental	18,236	94,520			112,756
Earnings on Investments	1,570	175		\$8,534	10,279
Miscellaneous	9,139	10,419			19,558
<i>Total Cash Receipts</i>	<u>65,270</u>	<u>555,107</u>	<u>0</u>	<u>8,534</u>	<u>628,911</u>
<b>Cash Disbursements</b>					
Current:					
General Government	74,942	88,595			163,537
Public Safety		269,632			269,632
Public Works		215,225			215,225
Health		20,968		6,945	27,913
Conservation-Recreation		299			299
Capital Outlay		134,026	\$223,325		357,351
Debt Service:					
Principal Retirement		26,099			26,099
<i>Total Cash Disbursements</i>	<u>74,942</u>	<u>754,844</u>	<u>223,325</u>	<u>6,945</u>	<u>1,060,056</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,672)</u>	<u>(199,737)</u>	<u>(223,325)</u>	<u>1,589</u>	<u>(431,145)</u>
<b>Other Financing Receipts</b>					
Sale of Bonds	0	0	223,325	0	223,325
<i>Net Change in Fund Cash Balances</i>	(9,672)	(199,737)	0	1,589	(207,820)
<i>Fund Cash Balances, January 1</i>	<u>242,793</u>	<u>648,499</u>	<u>0</u>	<u>80,854</u>	<u>972,146</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable				75,000	75,000
Restricted		448,762		7,443	456,205
Assigned	222,848				222,848
Unassigned	10,273				10,273
<i>Fund Cash Balances, December 31</i>	<u>\$233,121</u>	<u>\$448,762</u>	<u>\$0</u>	<u>\$82,443</u>	<u>\$764,326</u>

See accompanying notes to the financial statement

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**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*

---

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Pleasant Township, Clark County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services.

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statement provides additional information for this entity.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

***Fire Equipment Bond Fund*** – The township issued fire equipment bonds for a new fire tanker truck.

**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Permanent Funds** These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following permanent fund:

**McClenen Cemetery Trust Fund** – This fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of Asbury Cemetery.

**Basis of Accounting**

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

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

**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. Appropriations lapse at year-end.

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

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

A summary of 2015 budgetary activity appears in Note 3.

**Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values U.S. Treasury Notes and common stock at cost or fair value when donated. Money market mutual funds are recorded at share values the mutual funds report.

**Pleasant Township**  
Clark County  
Notes to the Financial Statement  
For the Year Ended December 31, 2015  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

**Accumulated Leave**

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

**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:

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

**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.

**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.

**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.

**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.

**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*  
*(Continued)*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,426	\$65,270	\$6,844
Special Revenue	625,268	555,107	(70,161)
Capital Projects	223,325	223,325	0
Permanent	10,000	8,534	(1,466)
Total	\$917,019	\$852,236	(\$64,783)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$262,200	\$74,942	\$187,258
Special Revenue	1,239,100	754,844	484,256
Capital Projects	223,325	223,325	0
Permanent	10,000	6,945	3,055
Total	\$1,734,625	\$1,060,056	\$674,569

**Note 4 – Deposits and Investments**

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

	2015
Demand deposits	\$314,326
Time deposits	375,000
Total deposits	689,326
McClenen Investment Trust Account	75,000
Total deposits and investments	\$764,326

**Deposits**

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

**Investments**

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

**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*  
*(Continued)*

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**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statement includes 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.

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

**Note 6 – Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015:

	<b><u>2015</u></b>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*  
*(Continued)*

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**Note 6 – Risk Management (Continued)**

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$12,000.

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

<b>2015 Contributions to OTARMA</b>
\$22,936

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.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

***Social Security***

The Township's Fire and Emergency Medical Services employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits, to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.



**Pleasant Township**  
*Clark County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*  
*(Continued)*

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OPWC Loan CT50M	\$243,600	0%
2015 Fire Equipment Bonds	223,325	2.59%
Total	\$466,925	

The Township received a \$348,000 loan from the Ohio Public Works Commission (OPWC) in 2010 for reconstruction projects on Pleasant Chapel, Neer, and Silvers Roads. This OPWC loan has a term of 20 years and a 0% interest rate. This OPWC project loan will mature in 2030.

In 2015, the Township issued \$223,325 of fire equipment bonds for the purpose of purchasing a new fire tanker truck. These bonds have a 2.59% interest rate and will mature in 2022.

**Amortization**

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

	OPWC Loan CT50M	2015 Fire Equipment Bonds
Year ending December 31:		
2016	\$8,700	\$35,447
2017	17,400	35,447
2018	17,400	35,447
2019	17,400	35,446
2020	17,400	35,446
2021 - 2025	87,000	70,893
2026 - 2030	78,300	0
Total	\$243,600	\$248,126

**Note 10 – Related Party Transactions**

A Township Trustee is the owner of a company from which the Township acquired services for treating the lawns at the two cemeteries that are maintained by the Township during the year. The Township paid \$2,231 for these services.

A relative of a Township Trustee is the owner of a company from which the Township acquired services for digging graves at the two cemeteries that are maintained by the Township during the year. The Township paid \$4,200 for these services.

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# Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Pleasant Township, Clark County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated April 3, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider finding 2016-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2016-002 and 2016-003 described in the accompanying schedule of findings to be significant deficiencies.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-001.

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 3, 2018

**PLEASANT TOWNSHIP  
CLARK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Noncompliance and Material Weakness – Financial Reporting**

**Ohio Rev. Code § 5705.10(D)** states, in part, 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.

**Ohio Rev. Code § 4504.18** states, in part, for the purpose of paying the costs and expenses of enforcing and administering the tax provided for in this section; for the construction, reconstruction, improvement, maintenance, and repair of township roads, bridges, and culverts; for purchasing, erecting, and maintaining traffic signs, markers, lights, and signals; for purchasing road machinery and equipment, and planning, constructing, and maintaining suitable buildings to house such equipment; for paying any costs apportioned to the township under section 4907.47 of the Revised Code; and to supplement revenue already available for such purposes, the board of township trustees may levy an annual license tax, in addition to the tax levied by sections 4503.02, 4503.07, and 4503.18 of the Revised Code, upon the operation of motor vehicles on the public roads and highways in the unincorporated territory of the township.

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township collected permissive motor vehicle license tax monies in 2015 and 2016. The Township did not create a Permissive Motor Vehicle License Tax Fund to receipt these monies into and instead posted them into the Motor Vehicle License Fund. The receipt and expenditure activity netted to \$0 in both fiscal years; therefore, no adjustments to the accounting system were needed. The permissive motor vehicle receipts and expenditures were \$31,726 and \$32,651 in 2015 and 2016, respectively.

Furthermore, the Township issued bonds in July 2015; however, the proceeds and disbursements by the bank were not included on the financial statements. The financial statements were adjusted to include the sale of bonds and capital outlay of \$223,325 in the Capital Projects Fund.

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$80 to \$223,325, which we have brought to the Township's attention.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Township's ability to make sound financial decisions or comply with budgetary law, and/or result in materially misstated reports.

The Township should have procedures in place to provide for the accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

## FINDING NUMBER 2016-002

### Significant Deficiency – Bank Reconciliations and Timely Posting of Transactions

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide reasonable assurance all receipts and disbursements have been correctly and timely posted in the Township's Uniform Accounting Network (UAN) system and its bank accounts. Additionally, reconciliations provide an accurate accounting of the Township's financial position at month-end.

During the years ending 2015 and 2016, most reconciliations were not completed until significantly after the month being reconciled. The reconciliations for the months of February 2015 through December 2015 were not completed until January 2016. Additionally, the reconciliations for the months of August 2016 through December 2016 were not completed until February 2017.

In addition, there was no evidence the Trustees were monitoring, reviewing, or approving the monthly bank reconciliations during 2015 and 2016.

Furthermore, throughout the years ending December 31, 2015 and 2016, numerous receipts and disbursements were not timely posted to the Township's UAN system. Significant time delays in posting financial transactions into the UAN system can result in permanent omissions, as well as the Trustees reviewing incomplete financial reports.

The monthly bank reconciliation is a basic control to verify the accuracy and completeness of the Township's recording of current receipts and disbursements in the UAN system. Failure to maintain accurate monthly bank reconciliations and the failure to have individuals other than the Fiscal Officer review the bank reconciliations increases the possibility the Township would not promptly detect errors or funds being altered, lost, or stolen.

The Township should implement control procedures to verify the monthly bank reconciliations are promptly performed and the financial transactions, which are reflected on the bank statements, are timely posted into the Township's UAN system. Additionally, the monthly bank reconciliations should be reviewed by the Trustees to ensure the proper procedures were followed and the accounts are reconciled. The Trustees' review should be documented by their signatures/initials on the bank reconciliations and their approval of the bank reconciliations should be noted in the meeting minutes.

**FINDING NUMBER 2016-003**

**Significant Deficiency - Earned Leave**

Article 4 of the Pleasant Township Employee Policies states the accrual rate of sick and vacation leave for full-time employees. However, during the years ending December 31, 2016 and 2015, the Township did not track the leave balances for the one eligible employee who earned sick and vacation leave. Rather, this employee kept track of his own leave balances.

Additionally, Article 6 of the Employee Policies stipulates that "employees will be paid out no more than three times their current available vacation time that has been accumulated." The intent and wording of this policy should be examined, as it could result in an excessive payment for unused vacation leave, which could detrimentally impact the Township's financial condition.

The failure of the Township to independently track employees' leave balances could result in employees claiming to have more unused leave time than is applicable, which could result in excessive overpayments.

The Fiscal Officer should implement control procedures to track employees' earned and used leave balances. Furthermore, the Township should consult with their legal counsel and seek legal advice about revising their employee policy regarding the payout of unused vacation leave.

**Officials' Response:**

Corrective actions will be taken to correct audit findings.

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# Dave Yost • Auditor of State

**PLEASANT TOWNSHIP**

**CLARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 22, 2018**