



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE KEITH FABER



January 15, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

A handwritten signature in cursive script that reads "Keith Faber".

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PLEASANT TOWNSHIP
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

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, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

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

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, 2017 and 2016, 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, Franklin County, Ohio, as of December 31, 2017 and 2016, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 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

December 17, 2018

**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, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$58,911	\$1,828,346	\$0	\$0	\$1,887,257
Charges for Services	0	206,762	0	0	206,762
License, Permits and Fees	34,419	7,418	0	0	41,837
Intergovernmental	168,842	420,478	0	0	589,320
Special Assessments	0	28,903	0	0	28,903
Interest	3,229	266	0	1	3,496
Other Revenue	1,361	28,473	0	0	29,834
Total Cash Receipts	<u>266,762</u>	<u>2,520,646</u>	<u>0</u>	<u>1</u>	<u>2,787,409</u>
Cash Disbursements:					
Current:					
General Government	161,582	0	0	0	161,582
Public Safety	0	2,210,473	0	0	2,210,473
Public Works	0	316,304	0	0	316,304
Health	45,250	20,852	0	0	66,102
Other	45,764	75,040	0	0	120,804
Capital Outlay	37,432	0	0	0	37,432
Total Cash Disbursements	<u>290,028</u>	<u>2,622,669</u>	<u>0</u>	<u>0</u>	<u>2,912,697</u>
Total Receipts Over/(Under) Disbursements	<u>(23,266)</u>	<u>(102,023)</u>	<u>0</u>	<u>1</u>	<u>(125,288)</u>
Other Financing Receipts / (Disbursements):					
Other Financing Sources	11,971	600	0	0	12,571
Total Other Financing Receipts / (Disbursements)	<u>11,971</u>	<u>600</u>	<u>0</u>	<u>0</u>	<u>12,571</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(11,295)	(101,423)	0	1	(112,717)
Fund Cash Balances, January 1	<u>536,927</u>	<u>1,474,476</u>	<u>136,631</u>	<u>2,454</u>	<u>2,150,488</u>
Nonspendable	0	0	0	1,350	1,350
Committed	0	0	136,631	0	136,631
Restricted	0	1,373,053	0	1,105	1,374,158
Assigned	512,863	0	0	0	512,863
Unassigned	12,769	0	0	0	12,769
Fund Cash Balances, December 31	<u><u>\$525,632</u></u>	<u><u>\$1,373,053</u></u>	<u><u>\$136,631</u></u>	<u><u>\$2,455</u></u>	<u><u>\$2,037,771</u></u>

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

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2017

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Pleasant Township, 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. 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 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 classified 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 capital projects funds) 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 receipts for maintaining and operating the Township's fire department.

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2017

1. Summary of Significant Accounting Policies (Continued)

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

Capital Equipment Fund – The Township receives interest revenue and transfers from the General Fund for the purpose of capital equipment for the Township.

4. Permanent Fund

This fund accounts 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 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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be re-appropriated.

A summary of 2017 budgetary activity appears in Note 3.

F. Fund Balance

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

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2017

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Non-spendable

The Township classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plan, and Equipment

The Township records disbursements for acquisitions of property, plan, and equipment when paid. The accompanying financial statements do not report these items as assets.

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2017

1. Summary of Significant Accounting Policies (Continued)

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The Carrying amount of deposits and investments at December 31, 2017 was as follows:

Demand Deposits	\$1,280,201		
Certificate of Deposits	1,110		
Total Deposits	1,281,311		
Investments	756,460		
Total Deposits and Investments	\$2,037,771		

Deposits

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

Investments

The Township has investment securities held by the Township's financial institution.

Custodial Credit Risk

At December 31, 2017, \$1,536,663 of Township's bank balance of \$2,130,826 was exposed to custodial credit risk. Certain timing issues related to fluctuations in depository balances contributed to the uncollateralized balance. These insufficiencies were corrected the next business day.

3. Budgetary Activity

Budgetary activity for the year ending 2017 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variances
General	\$244,754	\$278,733	\$33,979
Special Revenue	2,682,819	2,521,246	(161,573)
Capital	50,000	0	(50,000)
Permanent	1	1	0
Total	<u>\$2,977,574</u>	<u>\$2,799,980</u>	<u>(\$177,594)</u>

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2017

3. Budgetary Activity (Continued)

Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variances
General	\$738,750	\$292,633	\$446,117
Special Revenue	3,297,613	2,622,669	674,944
Capital	182,405	0	182,405
Permanent	0	0	0
Total	<u>\$4,218,768</u>	<u>\$2,915,302</u>	<u>\$1,303,466</u>

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. 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. Retirement Systems

The Township's fulltime firefighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS) except part-time firefighters pay into social security unless grandfathered in 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 2017, OP&F participants' rate of contribution was 12.25% of their wages and is paid on their behalf by the Township as a benefit. The Township contributed to OP&F an amount equal to 24% of fulltime firefighters' wages.

For 2017, OPERS participants' rate of contribution was 10% of their wages. Fulltime Road Department employees had this amount paid on their behalf by the Township as a benefit. The Township contributed an amount equaling 14% of all participants' wages.

The Township has paid all contributions required through December 31, 2017.

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2017

6. Postemployment Benefits

Both OPERS and OP&F offer 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 health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

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.

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, 2017, 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, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2017

7. Risk Management (Continued)

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$10,251.

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>2017 Contributions to OTARMA</u>
\$22,781

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.

8. Ohio Public Entities Consortium/Jefferson Health Plan (the "Health Plan")

The Township participates in the Health Plan, a claims servicing self-insurance pool organized under Ohio Revised Code Chapter 167, for the purpose of establishing and carrying out a cooperative program to administer medical, prescription, vision and dental benefits for employees of the participating entities and their eligible dependents.

The Health Plan contracts with third-party administrators to process and pay health, dental and vision claims incurred by its members.

The Health Plan also purchases stop loss coverage for claims in excess of a set amount for individual claims and in the pool's aggregate.

Each member of the Health Plan is obligated to pay a fee based on an estimate of the member's share of the Health Plan costs for the fiscal year. Included in this estimate are claims by eligible employees which are payable by each member, the member's share of the medical, prescription, vision and dental insurance premiums, and their proportionate share of the administrative costs of the Health Plan. The actual balance of each member's account is determined on a monthly basis.

Each member is required to meet or exceed the claims that have been incurred but not reported (IBNR) and to maintain adequate reserves or current funding to meet or exceed their claims fluctuation reserve requirements. If a member is in a deficit position, the participating member has two fiscal years to make up a negative reserve amount or an insufficient IBNR and three fiscal years to make up insufficient claims fluctuation reserves.

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2017

8. Ohio Public Entities Consortium/Jefferson Health Plan (the "Health Plan") (Continued)

Members may withdraw from the Health Plan with as much notice as is possible for the termination, allowing the Health Plan time to determine any withdrawal balance owed to or by the departing employer. Any outstanding reserve balances are held by the Health Plan for a maximum period of six months to satisfy the payment of claims incurred before termination. The terminating member has the option to pay all of the claims incurred prior to the termination for membership so that any reserves could be released sooner. Employers found to be in a deficit position wishing to leave the Health Plan will be required to repay the deficit in full within ninety days of the effective withdraw date. Additionally, such terminating member will be required to pay any claims incurred prior to termination notification.

9. Contingencies

Pleasant Township is a party to legal proceedings along with numerous other entities that were previously members of OPEC (Ohio Public Employees Consortium).

Pleasant Township has joined the other Plaintiffs in a case filed in Stark County Court of Common Pleas, as a result of issues that developed between OPEC and Jefferson Health Plan that was detrimental to health insurance coverage for the Township employees.

As a result of those issues, OPEC severed ties with Jefferson Health Plan whom is now claiming that Pleasant Township, along with the other entities who were members of OPEC, are in violation of contractual obligations.

If it is deemed the Township is obligated, the potential loss to the Township is estimated at approximately \$60,000.

**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, 2016**

	General	Special Revenue	Capital Project	Permanent	Totals (Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$58,402	\$1,809,536	\$0	\$0	\$1,867,938
Charges for Services	0	168,705	0	0	168,705
License, Permits and Fees	33,738	4,094	0	0	37,832
Intergovernmental	145,453	421,859	0	0	567,312
Special Assessments	0	29,909	0	0	29,909
Earnings on Investments	101	0	7	1	109
Interest	0	8	0	0	8
Other Revenue	3,000	360	0	0	3,360
Total Cash Receipts	240,694	2,434,471	7	1	2,675,173
Cash Disbursements:					
Current:					
General Government	164,538	0	0	0	164,538
Public Safety	0	1,975,261	0	0	1,975,261
Public Works	45,063	376,202	0	0	421,265
Health	43,472	18,064	0	0	61,536
Other	49,144	12,678	0	0	61,822
Capital Outlay	9,580	0	32,595	0	42,175
Total Cash Disbursements	311,797	2,382,205	32,595	0	2,726,597
Total Receipts Over/(Under) Disbursements	(71,103)	52,266	(32,588)	1	(51,424)
Other Financing Receipts / (Disbursements):					
Transfers-In	0	30,000	0	0	30,000
Transfers-Out	(30,000)	0	0	0	(30,000)
Total Other Financing Receipts / (Disbursements)	(30,000)	30,000	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements					
	(101,103)	82,266	(32,588)	1	(51,424)
Fund Cash Balances, January 1	638,030	1,392,210	169,219	2,453	2,201,912
Nonspendable	0	0	0	1,350	1,350
Assigned	493,996	0	0	0	493,996
Committed	0	0	136,631	0	136,631
Restricted	0	1,474,476	0	1,104	1,475,580
Unassigned	42,931	0	0	0	42,931
Fund Cash Balances, December 31	\$536,927	\$1,474,476	\$136,631	\$2,454	\$2,150,488

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

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Pleasant Township, 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. 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 certificates of deposit at cost.

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PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (Continued)

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

Capital Equipment Fund – The Township receives interest revenue and transfers from the General Fund for the purpose of capital equipment for the Township.

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This fund accounts 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 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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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 2016 budgetary activity appears in Note 3.

F. Fund Balance

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

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Non-spendable

The Township classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plan, and Equipment

The Township records disbursements for acquisitions of property, plan, and equipment when paid. The accompanying financial statements do not report these items as assets.

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (Continued)

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The Carrying amount of deposits and investments at December 31, 2016 was as follows:

Demand Deposits	\$1,396,318		
Certificate of Deposits	1,109		
Total Deposits	1,397,427		
Investments	753,061		
Total Deposits and Investments	\$2,150,488		

Deposits

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

Investments

The Township has investment securities held by the Township's financial institution.

3. Budgetary Activity

Budgetary activity for the year ending 2016 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variances
General	\$243,673	\$240,694	(\$2,979)
Special Revenue	2,557,593	2,464,471	(93,122)
Capital	50,000	7	(49,993)
Permanent	1	1	0
Total	<u>\$2,851,267</u>	<u>\$2,705,173</u>	<u>(\$146,094)</u>

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016

3. Budgetary Activity (Continued)

Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variances
General	\$741,000	\$341,797	\$399,203
Special Revenue	3,059,000	2,382,205	676,795
Capital	210,000	32,595	177,405
Permanent	0	0	0
Total	<u>\$4,010,000</u>	<u>\$2,756,597</u>	<u>\$1,253,403</u>

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. 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. Retirement Systems

The Township's fulltime firefighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS) except part-time firefighters pay into social security unless grandfathered in 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 2016, OP&F participants' rate of contribution was 12.25% of their wages and is paid on their behalf by the Township as a benefit. The Township contributed to OP&F an amount equal to 24% of fulltime firefighters' wages.

For 2016, OPERS participants' rate of contribution was 10% of their wages. Fulltime Road Department employees had this amount paid on their behalf by the Township as a benefit. The Township contributed an amount equaling 14% of all participants' wages.

The Township has paid all contributions required through December 31, 2016.

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016

6. Postemployment Benefits

Both OPERS and OP&F offer 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 health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

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.

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.

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

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016

7. Risk Management (Continued)

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 \$9,851.

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>2016 Contributions to OTARMA</u>
\$21,890

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.

8. Ohio Public Entities Consortium/Jefferson Health Plan (the "Health Plan")

The Township participates in the Health Plan, a claims servicing self-insurance pool organized under Ohio Revised Code Chapter 167, for the purpose of establishing and carrying out a cooperative program to administer medical, prescription, vision and dental benefits for employees of the participating entities and their eligible dependents.

The Health Plan contracts with third-party administrators to process and pay health, dental and vision claims incurred by its members.

The Health Plan also purchases stop loss coverage for claims in excess of a set amount for individual claims and in the pool's aggregate.

Each member of the Health Plan is obligated to pay a fee based on an estimate of the member's share of the Health Plan costs for the fiscal year. Included in this estimate are claims by eligible employees which are payable by each member, the member's share of the medical, prescription, vision and dental insurance premiums, and their proportionate share of the administrative costs of the Health Plan. The actual balance of each member's account is determined on a monthly basis.

Each member is required to meet or exceed the claims that have been incurred but not reported (IBNR) and to maintain adequate reserves or current funding to meet or exceed their claims fluctuation reserve requirements. If a member is in a deficit position, the participating member has two fiscal years to make up a negative reserve amount or an insufficient IBNR and three fiscal years to make up insufficient claims fluctuation reserves.

PLEASANT TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016

8. Ohio Public Entities Consortium/Jefferson Health Plan (the "Health Plan") (Continued)

Members may withdraw from the Health Plan with as much notice as is possible for the termination, allowing the Health Plan time to determine any withdrawal balance owed to or by the departing employer. Any outstanding reserve balances are held by the Health Plan for a maximum period of six months to satisfy the payment of claims incurred before termination. The terminating member has the option to pay all of the claims incurred prior to the termination for membership so that any reserves could be released sooner. Employers found to be in a deficit position wishing to leave the Health Plan will be required to repay the deficit in full within ninety days of the effective withdraw date. Additionally, such terminating member will be required to pay any claims incurred prior to termination notification.

9. Contingencies

Pleasant Township is a party to legal proceedings along with numerous other entities that were previously members of OPEC (Ohio Public Employees Consortium).

Pleasant Township has joined the other Plaintiffs in a case filed in Stark County Court of Common Pleas, as a result of issues that developed between OPEC and Jefferson Health Plan that was detrimental to health insurance coverage for the Township employees.

As a result of those issues, OPEC severed ties with Jefferson Health Plan whom is now claiming that Pleasant Township, along with the other entities who were members of OPEC, are in violation of contractual obligations.

If it is deemed the Township is obligated, the potential loss to the Township is estimated at approximately \$60,000.



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
Franklin County
5373 Norton Road
Grove City, Ohio 43123

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, Franklin County, Ohio, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated December 17, 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 material weaknesses 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 Pleasant's financial statements. We consider findings 2017-001 through 2017-004 described in the accompanying schedule of findings to be material weaknesses.

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 2017-005 and 2017-006 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001, 2017-002, and 2017-004.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

December 17, 2018

**PLEASANT TOWNSHIP
FRANKLIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Pooled Collateral – Non-Compliance

Ohio Rev. Code § 135.182 (B)(1)(a)(b) states, not later than July 1, 2017, the treasurer of state shall create the Ohio pooled collateral program. Under this program, each institution designated as a public depository that selects the pledging method prescribed in division (A)(2) of section 135.18 or division (A)(2) of section 135.37 of the Revised Code shall pledge to the treasurer of state a single pool of eligible securities for the benefit of all public depositors at the public depository to secure the repayment of all uninsured public deposits at the public depository, provided that at all times the total market value of the securities so pledged is at least equal to either of the following:

One hundred two per cent of the total amount of all uninsured public deposits;

An amount determined by rules adopted by the treasurer of state that set forth the criteria for determining the aggregate market value of the pool of eligible securities pledged by a public depository pursuant to division (B) of this section. Such criteria shall include, but are not limited to, prudent capital and liquidity management by the public depository and the safety and soundness of the public depository as determined by a third-party rating organization.

The total market value of pledged securities was equal to 91.5 percent of uninsured deposits on December 27, 2017. The amount of Township funds exposed to risk was \$1,874,022.

Failure to maintain funds with a financial institution that maintains proper collateralized fund levels results in significant risks of loss of Township assets.

We recommend the Township take measures to ensure the financial institution in which they hold funds maintains the required level of collateralized funds at all times.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-002

Posting Errors – Non-Compliance/Material Weakness

Ohio Rev. Code § 5747.50 (E)(3) states, in part, " money received by a township under this division shall be credited to the township's general fund and shall be used for the purpose of funding fire, police, emergency medical, or ambulance services."

The Township posted \$9,801 of General Fund local government intergovernmental receipts to the EMS Fund as charges for services in 2016. The adjustment has been accounted for in the accompanying December 31, 2016 financial statements and has been posted to the Township's accounting ledgers.

**PLEASANT TOWNSHIP
FRANKLIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2017-002 (CONTINUED)

Posting Errors – Non-Compliance/Material Weakness (Continued)

Failure to post revenue to the proper fund results in non-compliance and could also result in restricted funds spent for an unallowable purpose.

We recommend the Fiscal Officer take measures to ensure all revenues are posted to the correct funds.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-003

Financial Reporting – Material Weakness

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 discusses in AU-C Section 210 paragraphs .A14 & .A16.

Due to the lack of internal controls in place to ensure receipts, expenditures, and fund balances are properly classified on the financial statements, the following adjustments were material to the Township's financial statements and were posted to the financial statements for the years ended December 31, 2016 and 2017:

- 2016 - Reclassify \$33,738 of Miscellaneous revenue to Licenses, Permits and Fees to properly post revenues related to cable franchise fees in the General Fund
- 2016 - Reclassify \$493,996 of Unassigned fund balance to Assigned fund balance to properly classify balances related to subsequent appropriations in the General Fund
- 2016 - Reclassify \$65,922 of Other expenditures to General Government to properly classify salaries and benefits in the General Fund
- 2016 - Reclassify \$1,594,390 of Other expenditures to Public Safety, Public Works and Health to properly classify salaries and benefits in Special Revenue funds
- 2017 - Reclassify \$65,153 of Miscellaneous revenue to Licenses, Permits and Fees in the amount of \$34,419 to properly post revenues related to cable franchise fees in the General Fund and to Intergovernmental revenue in the amount of \$30,734 to properly post revenues related to Bureau of Workers Compensation (BWC) refund in the General Fund
- 2017 - Reclassify \$510,258 of Unassigned fund balance to Assigned fund balance to properly classify balances related to subsequent appropriations in the General Fund
- 2017 - Reclassify \$71,440 of Other expenditures to General Government to properly classify salaries and benefits in the General Fund in Special Revenue funds
- 2017 - Reclassify \$1,718,498 of Other expenditures to Public Safety, Public Works and Health to properly classify salaries and benefits

**PLEASANT TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

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

FINDING NUMBER 2017-003 (CONTINUED)

Financial Reporting – Material Weakness (Continued)

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year.

Officials’ Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-004

Budgetary Posting – Non-Compliance/Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This includes designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

As of December 31, 2016 & 2017, the budgeted receipts posted to the Township's OTAS accounting ledgers varied from the estimated receipts certified by the County Budget Commission as follows:

Year	Fund	Estimated Receipts per Amended Certificates	Estimated Receipts per OTAS Receipt Status Report	Variance
2016	General Fund (01)	\$243,673	\$230,893	\$12,780
2016	Gas Tax (03)	95,000	91,561	3,439
2016	Road & Bridge (04)	135,931	134,077	1,854
2016	Fire (10)	2,040,685	1,967,160	73,525
2016	Capital Equipment(21)	50,000	7	49,993
2017	General Fund (01)	244,755	278,733	(33,978)
2017	Gas Tax (03)	90,000	93,760	(3,760)
2017	Road & Bridge (04)	133,894	136,941	(3,047)
2017	Fire (10)	2,231,925	2,007,209	224,716
2017	Capital Equipment (21)	50,000	0	50,000

**PLEASANT TOWNSHIP
FRANKLIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

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

FINDING NUMBER 2017-004 (CONTINUED)

Budgetary Posting – Non-Compliance/Material Weakness (Continued)

As of December 31, 2016, the appropriations posted to the Township's accounting ledgers varied from the approved appropriation authority as follows:

Year	Fund	Appropriations Certified to the County	Appropriations Per OTAS Appropriation Status Report	Variance
2016	General Fund (01)	\$741,400	\$746,400	(\$5,000)
2016	Gas Tax (03)	140,000	141,000	(1,000)
2016	Road & Bridge (04)	90,000	151,000	(61,000)

Failure to post budgeted amounts accurately and timely results in the inability to monitor budgeted and actual receipts and expenditures, and thus, may impair the Township's ability to detect possible errors or irregularities.

In order to effectively monitor budgeted versus actual activity of the Township, we recommend the Fiscal Officer accurately and timely post to the accounting ledgers estimated receipts as certified by the County Budget Commission and appropriations as approved by the Trustees.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-005

IT Security, Operations and Updates – Significant Deficiency

A system of sound internal controls includes adequate security and policies over computers, plans for times of disaster and software maintenance. In addition, to help reduce the likelihood of unauthorized use, organizations must restrict access to their computer systems, programs, and data. Typically, logical access is restricted by the use of a password.

The following deficiencies were discovered during the course of the audit:

- No disaster recovery plan
- Back-ups are not stored in a separate location from the originals
- No software maintenance agreement
- No policies to govern use of Township technology

These omissions leave or could leave the township in a precarious position financially and organizationally due to the exposure of sensitive employee and financial data.

**PLEASANT TOWNSHIP
FRANKLIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2017-005 (CONTINUED)

IT Security, Operations and Updates – Significant Deficiency (Continued)

We recommend the Township implement a disaster recovery plan for use in the event of an emergency. System back-ups should be maintained in an alternate location from the computer. A software maintenance agreement should be documented along with a formal policy that governs the use of the township's technology.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-006

Segregation of Duties – Significant Deficiency

When designing the Township's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

While the Board does review and approve a list of expenditures each month, we noted the following segregation of duties issues for both 2016 and 2017:

- The Fiscal Officer was responsible for recording and reconciling all transactions for the EMS receipt cycle.
- The Fiscal Officer was responsible for creating the deposit slip, delivering to the bank and posting all transactions for the cemetery fees receipt cycle.
- The Fiscal Officer was responsible for recording and reconciling all transactions for the payroll cycle.
- The Fiscal Officer was responsible for all investment account decisions and reconciling of bank accounts.
- The Fiscal Officer's bank reconciliations are not reviewed and approved by another Township employee or the Board of Trustees.
- The Fiscal Officer is responsible for the opening of bank accounts. The Board does not approve the opening of Township bank accounts.

The lack of segregation of controls increases the risk that the Township's funds could be misappropriated and increases the difficulty of fund recovery if such recovery is necessary.

We recommend the Board provide adequate segregation of duties in its accounting processing for receipts and disbursements. This should include, but not limited to, modifying policies and procedures regarding receipts and disbursements, and documentation of at least monthly Board review and approval of a list of receipts, bank reconciliations and investment decisions.

Officials' Response

We did not receive a response from Officials to this finding.

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OHIO AUDITOR OF STATE KEITH FABER



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
JANUARY 15, 2019**