

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENTS REVIEW REPORT

OF

PLEASANT TOWNSHIP

STEBEN COUNTY, INDIANA

January 1, 2016 to December 31, 2019



FILED

01/05/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Craig Rice Lawnie M. McClelland	01-01-16 to 12-31-18 01-01-19 to 12-31-20
President of the Township Board	James Wyatt	01-01-16 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF PLEASANT TOWNSHIP, STEUBEN COUNTY, INDIANA

We have reviewed the accompanying financial statements of Pleasant Township (Township), for the period of January 1, 2016 to December 31, 2019. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Township's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6); which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Township uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

December 18, 2020

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were approved by management of the Township. The financial statements and notes are presented as intended by the Township.

PLEASANT TOWNSHIP, STEUBEN COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
Township	\$ 671,521	\$ 179,115	\$ 111,778	\$ 738,858	\$ 133,261	\$ 115,088	\$ 757,031
Township Assistance	1,029,372	183,672	69,461	1,143,583	117,150	122,496	1,138,237
Fire Fighting	691,569	533,785	418,710	806,644	671,411	422,896	1,055,159
Rainy Day	13,401	157,544	-	170,945	89,000	-	259,945
Circle Hill	85,521	12,057	7,446	90,132	17,325	25,747	81,710
Totals	<u>\$ 2,491,384</u>	<u>\$ 1,066,173</u>	<u>\$ 607,395</u>	<u>\$ 2,950,162</u>	<u>\$ 1,028,147</u>	<u>\$ 686,227</u>	<u>\$ 3,292,082</u>

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

PLEASANT TOWNSHIP, STEUBEN COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2018 and 2019

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18	Receipts	Disbursements	Cash and Investments 12-31-19
Township	\$ 757,031	\$ 170,112	\$ 119,149	\$ 807,994	\$ 146,298	\$ 127,322	\$ 826,970
Township Assistance	1,138,237	35,456	23,076	1,150,617	16,460	75,640	1,091,437
Fire Fighting	1,055,159	763,167	886,789	931,537	828,972	494,916	1,265,593
Rainy Day	259,945	-	18,500	241,445	-	-	241,445
Circle Hill	81,710	22,274	3,235	100,749	12,036	3,620	109,165
Totals	<u>\$ 3,292,082</u>	<u>\$ 991,009</u>	<u>\$ 1,050,749</u>	<u>\$ 3,232,342</u>	<u>\$ 1,003,766</u>	<u>\$ 701,498</u>	<u>\$ 3,534,610</u>

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

PLEASANT TOWNSHIP, STEUBEN COUNTY
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

The accompanying financial statements present the financial information for the Township.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Township.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

PLEASANT TOWNSHIP, STEUBEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Township may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

PLEASANT TOWNSHIP, STEUBEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Fund Accounting

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Township. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units, and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Township in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the budget year or January 15 of the budget year if the Township is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Township to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

PLEASANT TOWNSHIP, STEUBEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 5. Risk Management

The Township may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Township to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Subsequent Events

In January of 2020, the Township approved a \$75,000 contract with the Steuben County Council on Aging. In April of 2020, the Township accepted a proposal from T-E Incorporated for pavement services in the amount of \$92,000.

PLEASANT TOWNSHIP, STEUBEN COUNTY
REVIEW RESULTS AND COMMENTS

TOWNSHIP ASSISTANCE TRANSFER TO RAINY DAY

Condition and Context

The Township transferred \$37,550 and \$89,000 from the Township Assistance fund to the Rainy Day fund (RDF) in 2016 and 2017, respectively. The Township transferred the above amounts from the RDF to the Township Assistance fund in late 2020.

Criteria

Township funds that *cannot* be transferred to the RDF:

Township Assistance IC 12-20-21-3 states: "The funds are continuing funds and do **NOT** revert to any other fund at the end of the year."

(Township Bulletin and Uniform Compliance Guidelines, December 2015)

CONFLICT OF INTEREST - FACILITY RENTAL

Condition and Context

During our testing, it was determined that there was a conflict of interest between the Township and the prior Trustee. Prior to November 2018, the Township made rental payments totaling \$19,550 for a facility to serve as the Township Building. The prior Trustee was a part owner of this facility. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed, nor submitted and accepted, by the governmental entity in a public meeting. Along with the lack of a Uniform Conflict of Interest Disclosure Statement, a Rental Agreement for the facility being utilized by the Township during the audit period prior to November 2018 was not presented for examination, nor was there any acceptance for continuance by the Township Board of the previous Rental Agreement that ended December 31, 2014.

Criteria

Indiana Code 35-44.1-1-4 states in part:

". . . (b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.

(c) It is not an offense under this section if any of the following apply: . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is: . . .

(B) appointed by an elected public servant;

PLEASANT TOWNSHIP, STEUBEN COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

(C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;

(D) elected; or

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

(d) A disclosure must:

(1) be in writing;

(2) describe the contract or purchase to be made by the governmental entity;

(3) describe the pecuniary interest that the public servant has in the contract or purchase;

(4) be affirmed under penalty of perjury;

(5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;

(6) be filed within fifteen (15) days after final action on the contract or purchase with:

(A) the state board of accounts; and

(B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

(1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.

(2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

CONFLICT OF INTEREST - TOWNSHIP ASSISTANCE PAYMENTS

Condition and Context

During our testing, it was determined that there was a conflict of interest between the Township and the prior Trustee. During the prior Trustee's term, two Township Assistance payments in the total amount of \$750 were made to entities that the prior Trustee held a private interest in. These payments were allowable, if a Uniform Conflict of Interest Disclosure Statement had been filed. A Uniform Conflict of Interest Disclosure Statement was not filed, nor submitted and accepted, by the governmental entity in a public meeting for either payment.

PLEASANT TOWNSHIP, STEUBEN COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 35-44.1-1-4 states in part:

". . . (b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.

(c) It is not an offense under this section if any of the following apply: . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is . . .

(B) appointed by an elected public servant;

(C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;

(D) elected; or

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

(d) A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

December 23, 2020

State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: Audit of the Records of Pleasant Township, Steuben County, State of Indiana/
Exit Meeting Dated December 18, 2020

Dear Mr. Wilson:


Thank you for allowing me to respond to the Review Results and Comments that were discussed in the audit exit meeting. Please note that the response and comments that follow are mine alone and do not necessarily reflect the views or positions of either the current Pleasant Township Trustee or other current members of the Pleasant Township Board. As such, this letter should not be construed to be the official response of Pleasant Township.

The audit revealed that funds were improperly transferred from the Township Assistance fund to the Rainy Day fund during the audit period. Said transfers cannot be made per Township Assistance IC 12-20-21-3. While I acknowledge that the Township Trustee and Township Board are ultimately responsible for all such transfer of funds, they are never made without consultation and advice of our CPA firm. This error is noted and will not be repeated.

The audit also suggested two potential conflicts of interest between Pleasant Township and the prior Pleasant Township Trustee. It appeared that Uniform Conflict of Interest Disclosure Statements were either not filed or possibly filed with the wrong agency. Further, it was noted that continuance of an office rental agreement was not officially approved by the Township Board as evidenced in meeting minutes. It was noted that all payments made were allowable in the normal course of business provided that the proper forms had been filed where required and noted and approved in Township meeting minutes. The audit report neither noted nor implied that the prior Township Trustee received any improper personal financial gain or benefit whatsoever. The conflicts of interest discrepancies were an oversight and document filing issues only.

Indiana code regarding conflicts of interest affecting townships has been reviewed in detail and I am confident that this will not be an issue in the future.

Respectfully submitted,


George W Gilbert
Member Pleasant Township Board

CC: L.M. McClelland, Pleasant Township Trustee
J. W. Wyatt, Member Pleasant Township Board
L. E. Krebs, Member Pleasant Township Board
C. A. Rice, Prior Pleasant Township Trustee

January 4, 2021

State Board of Accounts
302 W. Washington St.
Indianapolis, IN 46204-2765

To whom it may concern:

RE: Pleasant Township Audit of Records/exit meeting on December 18, 2020.

I would like to thank your office for allowing me the time to respond to the above referenced audit/exit meeting. There were three items mentioned and I would like to respond to each item.

1) There appeared to be an error in transferring funds from Township Assistance to the rainy day fund. This transfer was only made after receiving approval from the CPA hired by the Township to help with these matters, but apparently that is not allowable and funds I believe have been transferred to the appropriate ledger.

2) The audit states a possible conflict of interest due to the period when I, Craig Rice was Trustee in regard to rent paid by the office. I am somewhat confused due to the rental contract was approved by my board, the rent paid was not above market value, and the location was within Pleasant Twp. I did not know of any document that should have been possibly filed or was it brought to my attention in the new training for Trustees. I was also told at the exit interview that if I had rented space from myself at my home as many Trustees across the state do I would not have had to disclose or file the conflict of interest documentation. Finally it should be mentioned that I had been audited twice prior to this time under the same rental contract and neither time did the audit set this item out as a problem so it could be brought into compliance.

3) The audit states that there was a possible conflict of interest in collecting rent from a constituent of Pleasant Township. I do own rentals and have collected rent from the Pleasant Township Trustee for several years prior to me being elected to the office and probably will continue as I still have rental properties. During my term in office any valid applicant after going through the interview process with my deputy was either approved or denied based on the same criteria for all applicants and at no time was I involved in any of my tenants interviews. I was so careful that I asked my deputy not to even tell me when this situation took place. Lastly as I stated above I was audited twice prior to this and never was this situation mentioned or set out as a problem.

In closing I want to thank you again for allowing me to write this response and at no time during my tenure did I ever intend to not disclose my actions because as is required I filed an annual report as required by the State of Indiana which very openly shows to the citizens of Pleasant Township that these aforementioned items took place during my tenure in office.

Sincerely,


Craig A. Rice, Past Pleasant township Trustee

PLEASANT TOWNSHIP, STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2020, with Lawnie M. McClelland, Trustee; Craig Rice, former Trustee; Lesli Hall, Township Clerk; and George Gilbert, Secretary of the Township Board.