



**Auditor of State  
Betty Montgomery**



**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Pleasant Township  
Fairfield County  
1170 Hillbrook Dr.  
Lancaster, Ohio 43130

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pleasant Township, Fairfield County, Ohio (the Township), as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pleasant Township, Fairfield County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Fire Operation funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 3, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

October 26, 2006

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)**

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This discussion and analysis of Pleasant Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2004, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Financial Highlights**

Key highlights for 2004 are as follows:

General revenues accounted for \$1,340,382 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and grants accounted for \$280,183 or 17% of total revenue of \$1,620,565. Total expenses were \$1,440,641.

General receipts are primarily real estate taxes and State Local Government funds. These receipts represent respectively 59 and 12 percent of the total cash received for governmental activities during the year.

Outstanding debt decreased from \$435,148 at December 31, 2003 to \$326,126 at December 31, 2004.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

**Report Components**

The *Statement of Net Assets* and the *Statement of Activities* provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)  
(Continued)**

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**Reporting the Township as a Whole**

The *Statement of Net Assets* and *Statement of Activities* reflect how the Township did financially during 2004, within the limitations of modified cash basis accounting. The *Statement of Net Assets* presents the cash balances of the governmental activities of the Township at year end. The *Statement of Activities* compares cash disbursements with program receipts for each governmental activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue source, property taxes.

The *Statement of Net Assets* and *Statement of Activities* present governmental activities, which includes all the Township's services. The Township has no business-type activities.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are reported entirely in governmental funds.

Governmental Funds - The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Road & Bridge Fund, Fire Operation Fund and Fire Station Levy Fund. The programs reported in governmental funds are the same as those reported in governmental activities on the entity-wide statements.



**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)  
(Continued)**

**Pleasant Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)

**Net Assets**

|                           | Governmental Activities |         | Change       |
|---------------------------|-------------------------|---------|--------------|
|                           | 2004                    | 2003    | 2003 to 2004 |
| <b>Assets</b>             |                         |         |              |
| Cash and Cash Equivalents | 1,103,116               | 923,192 | 179,924      |
| Total Assets              | 1,103,116               | 923,192 | 179,924      |
| <b>Net Assets</b>         |                         |         |              |
| Restricted for:           |                         |         |              |
| Capital Outlay            | 89,155                  | 153,393 | (64,238)     |
| Other Purposes            | 714,983                 | 608,945 | 106,038      |
| Unrestricted              | 298,978                 | 160,854 | 138,124      |
| Total Net Assets          | 1,103,116               | 923,192 | 179,924      |

Net assets of governmental activities increased \$179,924 or 19.5 percent during 2004. The primary reason contributing to the increase in cash balances is due to Estate Tax collections significantly exceeding estimates. Despite State phase out of the estate tax, the Township received a settlement that exceeded estimates by \$92,979.

Table 2 shows the changes in net assets in 2004. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)  
(Continued)**

(Table 2)  
**Changes in Net Assets**

|  | <u>Governmental<br/>Activities<br/>2004</u> |
|--|---|
| Receipts:  |   |
| Program Receipts:  |   |
| Charges for Services and Sales                                 | 45,267                                      |
| Operating Grants and Contributions                             | 234,916                                     |
| Total Program Receipts   | <u>280,183</u>                              |
| General Receipts:  |   |
| Property and Other Local Taxes                                 | 958,924                                     |
| Grants and Entitlements Not Restricted<br>to Specific Programs | 187,686                                     |
| Debt Proceeds  | 150,000                                     |
| Sale of Fixed Assets   | 27,916                                      |
| Interest   | 11,863                                      |
| Miscellaneous  | 3,993                                       |
| Total General Receipts   | <u>1,340,382</u>                            |
| Total Receipts   | <u>1,620,565</u>                            |
| <br>   |   |
| Disbursements:   |   |
| General Government   | 116,799                                     |
| Public Safety  | 406,484                                     |
| Public Works   | 292,305                                     |
| Health   | 27,333                                      |
| Capital Outlay   | 320,815                                     |
| Principal Retirement   | 259,022                                     |
| Interest and Fiscal Charges                                    | 17,883                                      |
| Total Disbursements  | <u>1,440,641</u>                            |
| Increase (Decrease) in Net Assets                              | 179,924                                     |
| <br>   |   |
| Net Assets, January 1, 2004                                    | <u>923,192</u>                              |
| Net Assets, December 31, 2004                                  | <u><u>1,103,116</u></u>                     |

Program receipts represent only 17 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, zoning permits and charges to Walnut Township for fire protection services provided under contract.

General receipts represent 83 percent of the Township's total receipts, and of this amount, over 72 percent are property and other local taxes. State and federal grants and entitlements amount to 14 percent of the Township's general receipts. Other receipts are either insignificant or unpredictable revenue sources and comprise the balance of general receipts. Estate taxes comprised 63 percent of the general entitlement revenue.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)  
(Continued)**

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of Trustees, the Fiscal Officer and Zoning Inspector, as well as all non-fire department fringe benefits and insurance.

Public Safety is the cost of fire protection; Health is the Township assessment for the cost of the County Health Department; and Public Works is the cost of maintaining the roads.

**Governmental Activities**

If you look at the *Statement of Activities* on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works (Road Maintenance) and Public Safety (Fire Department), which account for 20 and 28 percent of all governmental disbursements, respectively. General government represents a significant cost, about 8 percent. Capital Outlay also represents a significant cost, or 22 percent. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

|                             | Total Cost<br>Of Services<br>2004 | Net Cost<br>of Services<br>2004 |
|-----------------------------|-----------------------------------|---------------------------------|
|                             | 2004                              | 2004                            |
| Health                      |                                   |                                 |
| General Government          | \$116,799                         | (\$83,532)                      |
| Public Safety:              | 406,484                           | (306,932)                       |
| Public Works                | 292,305                           | (144,941)                       |
| Health                      | 27,333                            | (27,333)                        |
| Capital Outlay              | 320,815                           | (320,815)                       |
| Principal Retirement        | 259,022                           | (259,022)                       |
| Interest and Fiscal Charges | 17,883                            | (17,883)                        |
| Total Expenses              | \$1,440,641                       | (\$1,160,458)                   |

The dependence upon property tax receipts is apparent as 83 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$1,620,565 and disbursements of \$1,440,641. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$138,124, mostly due to extremely large Estate Tax settlements totaling \$117,979, which exceeded budget estimates by \$92,979.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)  
(Continued)**

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**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, no changes were made to the budgeted revenues or expenditures. Final disbursements were budgeted at \$195,367 while actual disbursements were \$134,342. The result is the increase in fund balance of \$138,124 for 2004.

**Capital Assets and Debt Administration**

The Township does not currently report its capital assets and infrastructure and has no plans to implement any capital asset inventory system. At December 31, 2004, the Township's outstanding debt included \$326,126 in general obligation notes/bonds issued for improvements to buildings and structures and for fire apparatus. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

(Table 4)  
**Outstanding Debt, at December 31**

|  | Governmental<br>Activities<br>2004 | Governmental<br>Activities<br>2003 | Change<br>2003 to 2004 |
|--|------------------------------------|------------------------------------|------------------------|
| Fire Engine Installment Loan - 2001    | \$0                                | \$10,721                           | (\$10,721)             |
| Fire Station Construction Notes - 2002 | 216,126                            | 424,427                            | (208,301)              |
| Fire Engine Installment Loan - 2004    | 110,000                            | 0                                  | 110,000                |
| Total                                  | <u>\$326,126</u>                   | <u>\$435,148</u>                   | <u>(\$109,022)</u>     |

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking State funding. Local Government funds are remaining static or decreasing and the personal property tax and estate tax are being reduced and/or eliminated, reducing the capability of the General Fund to support programs. The recently passed increase in the Gasoline Tax should allow the Township to maintain a strong road maintenance program. The windfall receipt from the Estate Tax this year will be reserved for capital projects.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to James M. Snyder, Fiscal Officer, Pleasant Township, 3005 Lancaster-Thornville Road NE, Lancaster, Ohio 43130.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2004**

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | \$1,103,116.29                     |
| <i>Total Assets</i>                        | <u><u>\$1,103,116.29</u></u>       |
| <br>                                       |                                    |
| <b>Net Assets</b>                          |                                    |
| Restricted for:                            |                                    |
| Capital Projects                           | \$89,155.21                        |
| Other Purposes                             | 714,982.60                         |
| Unrestricted                               | 298,978.48                         |
| <i>Total Net Assets</i>                    | <u><u>\$1,103,116.29</u></u>       |

See accompanying notes to the basic financial statements

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | Program Cash Receipts |                                      | Net (Disbursements)<br>Receipts and Changes<br>in Net Assets |                            |
|---|-----------------------|--------------------------------------|--|----------------------------|
|   | Cash<br>Disbursements | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions                     |                            |
|   |                       |                                      | Governmental<br>Activities                                   |                            |
| <b>Governmental Activities</b>                              |                       |                                      |  |                            |
| General Government  | \$116,799.11          | \$33,267.51                          | \$0.00   | (\$83,531.60)              |
| Public Safety   | 406,484.28            | 12,000.00                            | 87,551.85  | (306,932.43)               |
| Public Works  | 292,304.75            | 20,137.32                            | 127,226.89   | (144,940.54)               |
| Health  | 27,332.64             | 0.00                                 | 0.00   | (27,332.64)                |
| Capital Outlay  | 320,815.31            | 0.00                                 | 0.00   | (320,815.31)               |
| Debt Service:   |                       |                                      |  |                            |
| Principal   | 259,021.99            | 0.00                                 | 0.00   | (259,021.99)               |
| Interest  | 17,883.00             | 0.00                                 | 0.00   | (17,883.00)                |
| <b>Total Governmental Activities</b>                        | <u>1,440,641.08</u>   | <u>65,404.83</u>                     | <u>214,778.74</u>  | <u>(1,160,457.51)</u>      |
| <b>General Receipts</b>                                     |                       |                                      |  |                            |
| Property Taxes levied for General Purposes                  |                       |                                      |  | \$45,151.19                |
| Property Taxes levied for Road and Bridge                   |                       |                                      |  | 237,916.72                 |
| Property Taxes levied for Fire Operations                   |                       |                                      |  | 477,885.61                 |
| Property Taxes levied for Fire Station                      |                       |                                      |  | 197,970.83                 |
| Grants and Entitlements not Restricted to Specific Programs |                       |                                      |  | 187,686.15                 |
| Other Debt Proceeds   |                       |                                      |  | 150,000.00                 |
| Sale of Fixed Assets  |                       |                                      |  | 27,916.00                  |
| Earnings on Investments                                     |                       |                                      |  | 11,862.75                  |
| Miscellaneous   |                       |                                      |  | 3,992.73                   |
| <b>Total General Receipts</b>                               |                       |                                      |  | <u>1,340,381.98</u>        |
| Change in Net Assets  |                       |                                      |  | 179,924.47                 |
| <b>Net Assets Beginning of Year</b>                         |                       |                                      |  | <u>923,191.82</u>          |
| <b>Net Assets End of Year</b>                               |                       |                                      |  | <u><u>1,103,116.29</u></u> |

See accompanying notes to the basic financial statements

PLEASANT TOWNSHIP  
FAIRFIELD COUNTY

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2004**

|  | GENERAL             | ROAD<br>AND<br>BRIDGE | FIRE<br>OPERATION   | FIRE<br>STATION<br>LEVY | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|---------------------|-----------------------|---------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                     |                       |                     |                         |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$298,978.48        | \$230,110.97          | \$371,889.38        | \$9,099.48              | \$193,037.98                   | \$1,103,116.29                 |
| <b>Fund Balances</b>                       |                     |                       |                     |                         |                                |                                |
| Reserved:                                  |                     |                       |                     |                         |                                |                                |
| Reserved for Encumbrances                  | \$0.00              | \$651.72              | \$615.63            | \$0.00                  | \$1,072.11                     | \$2,339.46                     |
| Unreserved:                                |                     |                       |                     |                         |                                |                                |
| Undesignated (Deficit), Reported in:       |                     |                       |                     |                         |                                |                                |
| General Fund                               | 298,978.48          | 0.00                  | 0.00                | 0.00                    | 0.00                           | 298,978.48                     |
| Special Revenue Funds                      | 0.00                | 229,459.25            | 371,273.75          | 0.00                    | 111,910.14                     | 712,643.14                     |
| Capital Projects Funds                     | 0.00                | 0.00                  | 0.00                | 9,099.48                | 80,055.73                      | 89,155.21                      |
| <b>Total Fund Balances</b>                 | <b>\$298,978.48</b> | <b>\$230,110.97</b>   | <b>\$371,889.38</b> | <b>\$9,099.48</b>       | <b>\$193,037.98</b>            | <b>\$1,103,116.29</b>          |

See accompanying notes to the basic financial statements

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | GENERAL             | ROAD<br>AND<br>BRIDGE | FIRE<br>OPERATION   | FIRE<br>STATION<br>LEVY | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|---------------------|-----------------------|---------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                               |                     |                       |                     |                         |                                |                                |
| Property and Other Local Taxes                | \$45,151.19         | \$237,916.72          | \$477,885.61        | \$197,970.83            | \$20,137.32                    | \$979,061.67                   |
| Charges for Services                          | 0.00                | 0.00                  | 12,000.00           | 0.00                    | 0.00                           | 12,000.00                      |
| Licenses, Permits and Fees                    | 18,154.01           | 0.00                  | 0.00                | 0.00                    | 15,113.50                      | 33,267.51                      |
| Intergovernmental                             | 187,686.15          | 29,449.52             | 63,225.22           | 24,326.63               | 97,777.37                      | 402,464.89                     |
| Earnings on Investments                       | 10,710.21           | 0.00                  | 0.00                | 0.00                    | 1,152.54                       | 11,862.75                      |
| Miscellaneous                                 | 2,848.63            | 410.07                | 707.00              | 0.00                    | 27.03                          | 3,992.73                       |
| <b>Total Receipts</b>                         | <b>264,550.19</b>   | <b>267,776.31</b>     | <b>553,817.83</b>   | <b>222,297.46</b>       | <b>134,207.76</b>              | <b>1,442,649.55</b>            |
| <b>Disbursements</b>                          |                     |                       |                     |                         |                                |                                |
| Current:                                      |                     |                       |                     |                         |                                |                                |
| General Government                            | 100,209.47          | 0.00                  | 0.00                | 0.00                    | 16,589.64                      | 116,799.11                     |
| Public Safety                                 | 0.00                | 0.00                  | 403,037.30          | 3,446.98                | 0.00                           | 406,484.28                     |
| Public Works                                  | 6,250.00            | 164,616.28            | 0.00                | 0.00                    | 121,438.47                     | 292,304.75                     |
| Health  | 27,332.64           | 0.00                  | 0.00                | 0.00                    | 0.00                           | 27,332.64                      |
| Capital Outlay                                | 549.99              | 53,810.17             | 216,455.15          | 0.00                    | 50,000.00                      | 320,815.31                     |
| Debt Service:                                 |                     |                       |                     |                         |                                |                                |
| Principal Retirement                          | 0.00                | 0.00                  | 40,000.00           | 208,301.04              | 10,720.95                      | 259,021.99                     |
| Interest and Fiscal Charges                   | 0.00                | 0.00                  | 3,816.88            | 14,066.12               | 0.00                           | 17,883.00                      |
| <b>Total Disbursements</b>                    | <b>134,342.10</b>   | <b>218,426.45</b>     | <b>663,309.33</b>   | <b>225,814.14</b>       | <b>198,749.06</b>              | <b>1,440,641.08</b>            |
| Excess of Receipts Over (Under) Disbursements | 130,208.09          | 49,349.86             | (109,491.50)        | (3,516.68)              | (64,541.30)                    | 2,008.47                       |
| <b>Other Financing Sources (Uses)</b>         |                     |                       |                     |                         |                                |                                |
| Other Debt Proceeds                           | 0.00                | 0.00                  | 150,000.00          | 0.00                    | 0.00                           | 150,000.00                     |
| Sale of Fixed Assets                          | 17,916.00           | 0.00                  | 10,000.00           | 0.00                    | 0.00                           | 27,916.00                      |
| Transfers In                                  | 0.00                | 0.00                  | 0.00                | 0.00                    | 10,000.00                      | 10,000.00                      |
| Transfers Out                                 | (10,000.00)         | 0.00                  | 0.00                | 0.00                    | 0.00                           | (10,000.00)                    |
| <b>Total Other Financing Sources (Uses)</b>   | <b>7,916.00</b>     | <b>0.00</b>           | <b>160,000.00</b>   | <b>0.00</b>             | <b>10,000.00</b>               | <b>177,916.00</b>              |
| Net Change in Fund Balances                   | 138,124.09          | 49,349.86             | 50,508.50           | (3,516.68)              | (54,541.30)                    | 179,924.47                     |
| Fund Balances Beginning of Year               | 160,854.39          | 180,761.11            | 321,380.88          | 12,616.16               | 247,579.28                     | 923,191.82                     |
| Fund Balances End of Year                     | <b>\$298,978.48</b> | <b>\$230,110.97</b>   | <b>\$371,889.38</b> | <b>\$9,099.48</b>       | <b>\$193,037.98</b>            | <b>\$1,103,116.29</b>          |

See accompanying notes to the basic financial statements



**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|---------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>        |                     |   |
| <b>Receipts</b>                                      |                         |                     |                     |   |
| Property and Other Local Taxes                       | \$44,500.00             | \$44,500.00         | \$45,151.19         | \$651.19  |
| Licenses, Permits and Fees                           | 16,000.00               | 16,000.00           | 18,154.01           | 2,154.01  |
| Intergovernmental                                    | 89,154.00               | 89,154.00           | 187,686.15          | 98,532.15   |
| Earnings on Investments                              | 7,500.00                | 7,500.00            | 10,710.21           | 3,210.21  |
| Miscellaneous  | 0.00                    | 0.00                | 2,848.63            | 2,848.63  |
| <i>Total receipts</i>                                | <u>157,154.00</u>       | <u>157,154.00</u>   | <u>264,550.19</u>   | <u>107,396.19</u>                                       |
| <b>Disbursements</b>                                 |                         |                     |                     |   |
| Current:   |                         |                     |                     |   |
| General Government                                   | 122,234.75              | 123,234.75          | 100,209.47          | 23,025.28   |
| Public Works   | 33,300.00               | 32,300.00           | 6,250.00            | 26,050.00   |
| Health   | 29,332.64               | 29,332.64           | 27,332.64           | 2,000.00  |
| Capital Outlay                                       | 1,000.00                | 1,000.00            | 549.99              | 450.01  |
| Debt Service:  |                         |                     |                     |   |
| Interest and Fiscal Charges                          | 9,500.00                | 9,500.00            | 0.00                | 9,500.00  |
| <i>Total Disbursements</i>                           | <u>195,367.39</u>       | <u>195,367.39</u>   | <u>134,342.10</u>   | <u>61,025.29</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(38,213.39)</u>      | <u>(38,213.39)</u>  | <u>130,208.09</u>   | <u>168,421.48</u>                                       |
| <b>Other Financing Sources (Uses)</b>                |                         |                     |                     |   |
| Sale of Fixed Assets                                 | 0.00                    | 0.00                | 17,916.00           | 17,916.00   |
| Transfers Out  | <u>(10,000.00)</u>      | <u>(10,000.00)</u>  | <u>(10,000.00)</u>  | <u>0.00</u>   |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(10,000.00)</u>      | <u>(10,000.00)</u>  | <u>7,916.00</u>     | <u>17,916.00</u>  |
| <i>Net Change in Fund Balance</i>                    | (48,213.39)             | (48,213.39)         | 138,124.09          | 186,337.48  |
| <i>Fund Balance Beginning of Year</i>                | 158,554.39              | 158,554.39          | 158,554.39          | 0.00  |
| Prior Year Encumbrances Appropriated                 | <u>2,300.00</u>         | <u>2,300.00</u>     | <u>2,300.00</u>     | <u>0.00</u>   |
| <i>Fund Balance End of Year</i>                      | <u>\$112,641.00</u>     | <u>\$112,641.00</u> | <u>\$298,978.48</u> | <u>\$186,337.48</u>                                     |

See accompanying notes to the basic financial statements

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|                                       | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|-------------------------|---------------------|---------------------|---|
|                                       | <u>Original</u>         | <u>Final</u>        |                     |   |
| <b>Receipts</b>                       |                         |                     |                     |   |
| Property and Other Local Taxes        | \$235,000.00            | \$235,000.00        | \$237,916.72        | \$2,916.72  |
| Intergovernmental                     | 37,500.00               | 37,500.00           | 29,449.52           | (8,050.48)  |
| Miscellaneous                         | 0.00                    | 0.00                | 410.07              | 410.07  |
| <i>Total receipts</i>                 | <u>272,500.00</u>       | <u>272,500.00</u>   | <u>267,776.31</u>   | <u>(4,723.69)</u>   |
| <b>Disbursements</b>                  |                         |                     |                     |   |
| Current:                              |                         |                     |                     |   |
| Public Works                          | 212,044.01              | 224,544.01          | 165,268.00          | 59,276.01   |
| Capital Outlay                        | 89,947.00               | 89,947.00           | 53,810.17           | 36,136.83   |
| <i>Total Disbursements</i>            | <u>301,991.01</u>       | <u>314,491.01</u>   | <u>219,078.17</u>   | <u>95,412.84</u>  |
| <i>Net Change in Fund Balance</i>     | (29,491.01)             | (41,991.01)         | 48,698.14           | 90,689.15   |
| <i>Fund Balance Beginning of Year</i> | 179,912.10              | 179,912.10          | 179,912.10          | 0.00  |
| Prior Year Encumbrances Appropriated  | <u>849.01</u>           | <u>849.01</u>       | <u>849.01</u>       | <u>0.00</u>   |
| <i>Fund Balance End of Year</i>       | <u>\$151,270.10</u>     | <u>\$138,770.10</u> | <u>\$229,459.25</u> | <u>\$90,689.15</u>  |

See accompanying notes to the basic financial statements

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
FIRE OPERATION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|  | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| <b>Receipts</b>                                      |                     |                     |                     |   |
| Property and Other Local Taxes                       | \$466,000.00        | \$457,000.00        | \$477,885.61        | \$20,885.61   |
| Charges for Services                                 | 3,000.00            | 12,000.00           | 12,000.00           | 0.00  |
| Intergovernmental                                    | 55,000.00           | 55,000.00           | 63,225.22           | 8,225.22  |
| Miscellaneous  | 0.00                | 0.00                | 707.00              | 707.00  |
| <i>Total receipts</i>                                | <u>524,000.00</u>   | <u>524,000.00</u>   | <u>553,817.83</u>   | <u>29,817.83</u>  |
| <b>Disbursements</b>                                 |                     |                     |                     |   |
| Current:   |                     |                     |                     |   |
| Public Safety  | 468,759.09          | 465,759.09          | 403,652.93          | 62,106.16   |
| Capital Outlay                                       | 195,000.00          | 220,000.00          | 216,455.15          | 3,544.85  |
| Debt Service:  |                     |                     |                     |   |
| Principal Retirement                                 | 30,000.00           | 40,000.00           | 40,000.00           | 0.00  |
| Interest and Fiscal Charges                          | 4,500.00            | 4,500.00            | 3,816.88            | 683.12  |
| <i>Total Disbursements</i>                           | <u>698,259.09</u>   | <u>730,259.09</u>   | <u>663,924.96</u>   | <u>66,334.13</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(174,259.09)</u> | <u>(206,259.09)</u> | <u>(110,107.13)</u> | <u>96,151.96</u>  |
| <b>Other Financing Sources (Uses)</b>                |                     |                     |                     |   |
| Other Debt Proceeds                                  | 150,000.00          | 150,000.00          | 150,000.00          | 0.00  |
| Sale of Fixed Assets                                 | 0.00                | 0.00                | 10,000.00           | 10,000.00   |
| <i>Total Other Financing Sources (Uses)</i>          | <u>150,000.00</u>   | <u>150,000.00</u>   | <u>160,000.00</u>   | <u>10,000.00</u>  |
| <i>Net Change in Fund Balance</i>                    | (24,259.09)         | (56,259.09)         | 49,892.87           | 106,151.96  |
| <i>Fund Balance Beginning of Year</i>                | 321,224.79          | 321,224.79          | 321,224.79          | 0.00  |
| Prior Year Encumbrances Appropriated                 | 206.09              | 206.09              | 206.09              | 0.00  |
| <i>Fund Balance End of Year</i>                      | <u>\$297,171.79</u> | <u>\$265,171.79</u> | <u>\$371,323.75</u> | <u>\$106,151.96</u>                                     |

See accompanying notes to the basic financial statements

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**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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**Note 1 – Reporting Entity**

Pleasant Township, Fairfield County, Ohio (the Township), is a body politic and corporate established in 1804 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, fire/EMS services, and maintenance of Township roads, bridges and cemeteries. Police protection is provided by the Fairfield County Sheriff's Department.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township has no component units to report.

The Township participates in one public entity risk pool. This organization is the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTARMA provides property, casualty and liability coverage. Note 7 to the financial statements provides additional information for this entity.

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

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

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a *Statement of Net Assets* and a *Statement of Activities*, and fund financial statements which provide a more detailed level of financial information.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

Government-Wide Financial Statements

The *Statement of Net Assets* and the *Statement of Activities* display information about the Township as a whole. These statements include the financial activities of the primary government. The statements consist solely of those activities of the Township that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The *Statement of Net Assets* presents the cash balance of the governmental activities of the Township at year end. The *Statement of Activities* compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The Township has only governmental funds.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General, Road & Bridge, Fire Operation and Fire Station Levy Funds. The General Fund is used to account for all financial resources, except those required to be accounted for 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.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if significant projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Each Fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2004, the Township's investments were limited to Certificates of Deposit and STAR Ohio, both of which are reported as cash equivalents.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 were \$10,710, including \$7,513 assigned from other funds.

**F. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

**K. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for highways (Motor Vehicle License, Gasoline Tax, Permissive License Tax and Road & Bridge Funds) and public safety.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**L. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.



**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 3 – Change in Basis of Accounting**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. In 2004, the Township has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Also as described in note 2, the Township has elected to not report inventory, prepaid items, capital assets, and long-term debt as part of the cash basis of accounting. Therefore, the transition from the regulatory basis of accounting to the cash basis of accounting has not resulted in any changes to fund balances or equity as previously reported at December 31, 2003.

The Township also implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" which established new disclosure requirements for risks associated with deposits and investments.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The *Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis* presented for the General, Road & Bridge and Fire Operation Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances and are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). For major funds, the encumbrances outstanding at year end (budgetary basis) amounted to \$652 for the Road and Bridge fund and \$616 for the Fire Operation Fund.

**Note 5 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 5 – Deposits and Investments (Continued)**

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had no undeposited cash on hand.

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$309,933 of the Township's bank balance of \$753,933 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

The Township has chosen not to adopt a written investment policy and, therefore, limits investments to certificates of deposit, savings account, no-load money market mutual funds and STAR Ohio as permitted by ORC 135.14.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Township had \$363,696 on deposit with STAR Ohio at year end.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2004, was \$9.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows (excluding the Village of Pleasantville):

|                               |                      |
|-------------------------------|----------------------|
| Real Property                 |                      |
| Residential                   | \$102,659,290        |
| Agriculture                   | 9,890,520            |
| Commercial/Industrial/Mineral | 5,179,230            |
| Public Utility Property       |                      |
| Real                          | 8,200                |
| Personal                      | 7,385,320            |
| Tangible Personal Property    | 5,515,220            |
| Total Assessed Value          | <u>\$130,637,780</u> |

**Note 7 – Risk Management**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTAMRA provides property and casualty coverage for its members. OTAMRA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTAMRA. OTAMRA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 7 – Risk Management (Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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, 2004:

|                          |                     |
|--------------------------|---------------------|
| <u>Casualty Coverage</u> | <u>2004</u>         |
| Assets                   | \$30,687,203        |
| Liabilities              | <u>(13,640,962)</u> |
| Retained Earnings        | \$17,046,241        |
| <br>                     |                     |
| <u>Property Coverage</u> | <u>2004</u>         |
| Assets                   | \$7,799,073         |
| Liabilities              | <u>(753,906)</u>    |
| Retained Earnings        | \$7,045,167         |

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**Note 8 – Pension Plans**

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans:

The Traditional Pension Plan - A cost-sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan - A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 8 – Pension Plans (Continued)**

The Combined Plan - A cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. The 2004 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which generally consists of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%. Public safety division members contributed at 9%. The 2004 employer contribution rate for state employers was 13.31% of covered payroll. For local government employer units, the rate was 13.55% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2004 was 16.7%.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004 and 2003 were \$15,393, and \$15,269, respectively. The full amount has been contributed for 2004 and 2003.

**B. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose social security or the appropriate state system. As of December 31, 2004, all of the Township's part-time firefighters were covered by Social Security and pay FICA taxes.

FICA contribution rates are approved by the United States Congress. Members of FICA contributed 6.2% of their wages to FICA. The Township also contributed an amount equal to 6.2% of their wages. The Township has paid all contributions required through December 31, 2005.

**Note 9 - Postemployment Benefits**

**Ohio Public Employees Retirement System**

Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in *GASB Statement No. 12*.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 9 - Postemployment Benefits (Continued)**

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2004 employer contribution rate for state employers was 13.31% of covered payroll, of which 4.00% was used to fund for health care for the year. For local government employer units, the rate was 13.55% of covered payroll, and 4.00% was used to fund for health care for the year. For both the public safety and law enforcement divisions, the 2004 employer rate was 16.70%, and 4.00% was used to fund for health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

The following assumptions and calculations were based on OPERS's latest actuarial review, performed as of December 31, 2004:

**Funding Method** - An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

**Assets Valuation Method** - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

**Investment Return** - The investment assumption rate for 2004 was 8.00%.

**Active Employee Total Payroll** - An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

**Health Care** - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The rates stated above are the actuarially determined contribution requirements for OPERS. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$4,544. The amount of \$10.8 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2003. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**PLEASANT TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**Note 10 - Notes Payable**

The interest rate, original issuance amount, and maturity date for the Township's debt follows:

| Debt Issue                             | Interest<br>Rate | Original<br>Issue Amount | Date of Maturity |
|--|------------------|--------------------------|------------------|
| Fire Engine Installment Loan – 2001    | 0.00%            | \$35,087                 | November 1, 2004 |
| Fire Station Construction Notes – 2002 | 3.79%            | \$625,000                | December 1, 2005 |
| Fire Engine Installment Loan – 2004    | 3.10%            | \$150,000                | December 1, 2008 |

The Township's debt activity for the year ended December 31, 2004, is as follows:

|  | Outstanding<br>12/31/2003 | Additions        | Reductions       | Outstanding<br>12/31/2004 | Due In<br>One Year |
|--|---------------------------|------------------|------------------|---------------------------|--------------------|
| Fire Engine Installment Loan – 2001    | 10,721                    | 0                | 10,721           | 0                         | 0                  |
| Fire Station Construction Notes – 2002 | 424,427                   | 0                | 208,301          | 216,126                   | 216,126            |
| Fire Engine Installment Loan – 2004    | 0                         | 150,000          | 40,000           | 110,000                   | 30,000             |
| <b>Total</b>                           | <u>\$435,148</u>          | <u>\$150,000</u> | <u>\$259,022</u> | <u>\$326,126</u>          | <u>\$246,126</u>   |

The Fire Station Construction Notes were supported by the Fire Station Levy Fund. The Fire Engine notes are general obligation debt, are supported by the full faith and credit of the Township, and are payable from unvoted property tax receipts to the extent that Fire Operation Fund resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements:

| Year | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|------------------|-----------------|--------------|
| 2005 | \$246,126        | \$9,339         | \$255,465    |
| 2006 | 30,000           | 2,428           | 32,248       |
| 2007 | 30,000           | 1,318           | 31,318       |
| 2008 | 20,000           | 388             | 20,388       |

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2004, were an overall debt margin of \$13,401,000 and an unvoted debt margin of \$7,075,000.

**Note 11 – Interfund Transfers**

During 2004 the following transfers were made:

|                                       |                 |
|---------------------------------------|-----------------|
| Transfers from the General Fund to:   |                 |
| Other Governmental Funds              | <u>\$10,000</u> |
| Total Transfers from the General Fund | <u>\$10,000</u> |

The transfer from the General Fund was to fund zoning functions.

PLEASANT TOWNSHIP  
FAIRFIELD COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 12 – Contingent Liabilities**

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

**Note 13 – Jointly Governed Organization**

The Township appoints a person to represent the Township on the 48 member board of the Fairfield Regional Planning Commission. The Township pays a small membership fee annually. The fee is based on the per capita of the Township. There is no ongoing financial interest of responsibility by the Township.





## Auditor of State Betty Montgomery

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

Pleasant Township  
Fairfield County  
1170 Hillbrook Dr.  
Lancaster, Ohio 43130

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pleasant Township, Fairfield County, Ohio (the Township) as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 26, 2006 wherein we noted a change in accounting basis. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. Government Accounting Standards considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated October 26, 2006, we reported an other matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

October 26, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**PLEASANT TOWNSHIP**

**FAIRFIELD 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 4, 2007**