



**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

PLEASANT TOWNSHIP
FAIRFIELD COUNTY

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Mary Taylor, CPA

Auditor of State

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, 2007, 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 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 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, 2007, and the respective changes in cash financial position and the respective budgetary comparisons 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008, on our consideration of the Government'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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 29, 2008

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

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, 2007, 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 2007 are as follows:

General revenues accounted for \$1,631,606 in revenue or 89% of all revenues. Program specific revenues in the form of charges for services and grants accounted for \$185,469 or 11% of total revenue of \$1,817,075. Total expenses were \$1,385,514.

General receipts are primarily real estate taxes and State Local Government funds. These receipts represent respectively 63 and 4 percent of the total cash received for governmental activities during the year.

Outstanding debt decreased from \$120,000 at December 31, 2006, to \$70,000 at December 31, 2007.

Three full-time firefighters were employed in September and the Fire Station Levy Fund was closed and the fund balance transferred to the General Fund per a court of common pleas ruling.

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 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 cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 cash basis of accounting.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

Reporting the Township as a Whole

The *Statement of Net Assets* and *Statement of Activities* reflect how the Township did financially during 2007, within the limitations of cash basis accounting. The *Statement of Net Assets* presents the cash balances and investments of the governmental activities of the Township at year end. The *Statement of Activities* compares cash disbursements with program receipts for each governmental. 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 or business-type activity 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 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 include 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 all 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, and the Fire Operation 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, 2007
(UNAUDITED)
(Continued)**

Pleasant Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 on a cash basis:

**(Table 1)
Net Assets**

	Governmental Activities		Change
	2007	2006	2006 to 2007
Assets			
Cash and Cash Equivalents	\$1,613,426	\$1,181,865	\$431,561
Total Assets	<u>1,613,426</u>	<u>1,181,865</u>	<u>431,561</u>
Net Assets			
Restricted for:			
Capital Outlay	25,056	9,479	15,577
Other Purposes	1,165,926	987,887	178,039
Unrestricted	422,444	184,499	237,945
Total Net Assets	<u>\$1,613,426</u>	<u>\$1,181,865</u>	<u>\$431,561</u>

Net assets of governmental activities increased \$431,561 or 36.5 percent during 2007. The primary reasons contributing to the increase in cash balances are as follows:

- Estate tax collections significantly exceeded estimates. After exceptionally low settlements in 2006, estate taxes in 2007 exceeded revised estimates by over \$168,000.
- The Fire Fund experienced a revenues increase of \$279,000, primarily due to the levy passed in 2006. Expenses increased by approximately \$44,000, largely due to hiring full-time firefighters.
- Right-of-way issues on the Snoke Hill Road Issue 2 project continued in litigation and were not resolved, which deferred expenditure of matching funds from the Road & Bridge Fund in 2007.

Table 2 shows the changes in net assets in 2007 compared to changes in net assets in 2006.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

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

	Governmental Activities 2007	Governmental Activities 2006	Change 2006 to 2007
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$47,268	\$50,611	(3,343)
Operating Grants and Contributions	138,201	147,125	(8,924)
Capital Grants and Contributions	0	54,386	(54,386)
Total Program Receipts	<u>185,469</u>	<u>252,122</u>	<u>(66,653)</u>
General Receipts:			
Property and Other Local Taxes	1,055,867	800,373	255,494
Sale of Notes/Bonds	0	0	0
Grants and Entitlements Not Restricted to Specific Programs	465,221	156,314	308,907
Sale of Fixed Assets	8,500	2,340	6,160
Cable Franchise Fees	22,264	21,531	733
Interest	66,467	51,027	15,440
Miscellaneous	13,287	1,454	11,833
Total General Receipts	<u>1,631,606</u>	<u>1,033,039</u>	<u>598,567</u>
Total Receipts	<u>1,817,075</u>	<u>1,285,161</u>	<u>531,914</u>
Disbursements:			
General Government	141,035	143,605	(2,570)
Public Safety	548,773	456,073	92,700
Public Health Services	28,028	31,208	(3,180)
Public Works	389,880	329,541	60,339
Capital Outlay	223,974	252,694	(28,720)
Principal Retirement	50,000	50,000	0
Interest and Fiscal Charges	3,824	5,536	(1,712)
Total Disbursements	<u>1,385,514</u>	<u>1,268,657</u>	<u>116,857</u>
Increase (Decrease) in Net Assets	431,561	16,504	415,057
Net Assets, January 1,	<u>1,181,865</u>	<u>1,165,361</u>	<u>16,504</u>
Net Assets, December 31,	<u>\$1,613,426</u>	<u>\$1,181,865</u>	<u>\$431,561</u>

Program receipts represent only 10 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 90 percent of the Township's total receipts, and of this amount, 65 percent are property and other local taxes. State and federal grants and entitlements amount to 29 percent of the Township's general receipts. Other receipts are either insignificant or unpredictable revenue sources and comprise the balance of general receipts.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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; Public Health Services 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*, 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 30 and 39 percent of all governmental disbursements, respectively. General government represents a significant cost of about 8 percent. Capital Outlay also represents a significant cost of about 16%. The next three 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 Of Services 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006
General Government	\$141,035	\$126,830	\$143,605	\$125,735
Public Safety	548,773	525,513	456,073	365,446
Public Health Services	28,028	28,028	31,208	31,208
Public Works	389,880	241,876	329,541	185,916
Capital Outlay	223,974	223,974	252,694	252,694
Principal Retirement	50,000	50,000	50,000	50,000
Interest and Fiscal Charges	3,824	3,824	5,536	5,536
Total Expenses	\$1,385,514	\$1,200,045	\$1,268,657	\$1,016,535

The dependence upon property tax receipts is apparent as 76 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$1,817,075 and disbursements of \$1,385,514. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$223,297 as the result of substantial estate tax collections and improved interest income.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

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 funds are the General Fund and Fire Fund.

The difference between final budgeted receipts and actual receipts was due to substantially increased revenue from interest and decreased collection of estate taxes. Final disbursements were budgeted at \$292,946 while actual disbursements were \$252,270.

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, 2007, the Township's outstanding debt included \$70,000 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 9 to the basic financial statements.

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

	Governmental Activities 2007	Governmental Activities 2006	Change 2006 to 2007
Fire Engine Installment Loan - 2004	20,000	50,000	(30,000)
Community Room Construction Notes - 2005	50,000	70,000	(20,000)
Total	<u>\$70,000</u>	<u>\$120,000</u>	<u>(\$50,000)</u>

Current Issues

Continued rapid escalation in medical insurance premiums (23% in 2007, 28% announced for 2008) presents a significant challenge to maintaining an affordable benefits package. Changes to the Local Government and Gasoline Tax funds, previously enacted by the Legislature, are creating more volatility in the revenue stream beginning in 2008. Reductions in Personal Property and Estate Taxes, combined with phase-out of State subsidies designed to make up for the losses, will present significant fiscal problems over the next 3-5 years as funds from these sources gradually disappear.

On January 17, 2008, Trustees voted to cancel the Snoke Hill Road Issue 2 project and terminated litigation over right-of-way issues.

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 - Cash Basis
December 31, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,613,426</u>
<i>Total Assets</i>	<u><u>1,613,426</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$25,056
Other Purposes	1,180,574
Unrestricted	<u>407,796</u>
<i>Total Net Assets</i>	<u><u>\$1,613,426</u></u>

See accompanying notes to the basic financial statements

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Activities - Cash Basis
For the Year Ended December 31, 2007**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions & Interest	Governmental Activities
Governmental Activities				
General Government	\$141,035	\$14,205	\$0	(\$126,830)
Public Safety	548,773	12,000	11,260	(525,513)
Public Works	389,880	21,063	126,941	(241,876)
Health	28,028	0	0	(28,028)
Capital Outlay	223,974	0	0	(223,974)
Debt Service:				
Principal Retirement	50,000	0	0	(50,000)
Interest and Fiscal Charges	3,824	0	0	(3,824)
<i>Total Governmental Activities</i>	<u>\$1,385,514</u>	<u>\$47,268</u>	<u>\$138,201</u>	<u>(\$1,200,045)</u>
General Receipts				
Property Taxes				\$1,055,366
Other Taxes				501
Grants and Entitlements not Restricted to Specific Programs				465,221
Sale of Capital Assets				8,500
Cable Franchise Fees				22,264
Earnings on Investments				66,467
Miscellaneous				13,287
<i>Total General Receipts</i>				1,631,606
Change in Net Assets				431,561
<i>Net Assets Beginning of Year</i>				<u>1,181,865</u>
<i>Net Assets End of Year</i>				<u><u>\$1,613,426</u></u>

See accompanying notes to the basic financial statements

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

***Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007***

	General	Road and Bridge	Fire Operation	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$407,796	\$373,706	\$625,143	\$206,781	\$1,613,426
<i>Total Assets</i>	<u>\$407,796</u>	<u>\$373,706</u>	<u>\$625,143</u>	<u>\$206,781</u>	<u>\$1,613,426</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$0	\$640	\$875	\$0	\$1,515
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	407,796	0	0	0	407,796
Special Revenue Funds	0	373,066	624,268	181,725	1,179,059
Capital Projects Funds	0	0	0	25,056	25,056
<i>Total Fund Balances</i>	<u>\$407,796</u>	<u>\$373,706</u>	<u>\$625,143</u>	<u>\$206,781</u>	<u>\$1,613,426</u>

See accompanying notes to the basic financial statements

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007**

	General	Road and Bridge	Fire Operation	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$50,515	\$265,459	\$739,893	\$21,063	\$1,076,930
Charges for Services	0	0	12,000	0	12,000
Licenses, Permits and Fees	22,264	0	0	13,230	35,494
Intergovernmental	314,385	60,003	102,093	119,465	595,946
Earnings on Investments	66,467	0	0	7,477	73,944
Other	12,513	0	1,748	0	14,261
<i>Total Receipts</i>	<u>466,144</u>	<u>325,462</u>	<u>855,734</u>	<u>161,235</u>	<u>1,808,575</u>
Disbursements					
Current:					
General Government	127,095	0	0	13,940	141,035
Public Safety	0	0	548,773	0	548,773
Public Works	17,027	234,954	0	137,899	389,880
Health	28,028	0	0	0	28,028
Capital Outlay	57,598	126,398	39,978	0	223,974
Debt Service:					
Principal Retirement	20,000	0	30,000	0	50,000
Interest and Fiscal Charges	2,522	0	1,302	0	3,824
<i>Total Disbursements</i>	<u>252,270</u>	<u>361,352</u>	<u>620,053</u>	<u>151,839</u>	<u>1,385,514</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>213,874</u>	<u>(35,890)</u>	<u>235,681</u>	<u>9,396</u>	<u>423,061</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	0	8,500	0	0	8,500
Transfers In	9,423	0	0	25,000	34,423
Transfers Out	0	0	(25,000)	(9,423)	(34,423)
<i>Total Other Financing Sources (Uses)</i>	<u>9,423</u>	<u>8,500</u>	<u>(25,000)</u>	<u>15,577</u>	<u>8,500</u>
<i>Net Change in Fund Balances</i>	<u>223,297</u>	<u>(27,390)</u>	<u>210,681</u>	<u>24,973</u>	<u>431,561</u>
<i>Fund Balances Beginning of Year</i>	<u>184,499</u>	<u>401,096</u>	<u>414,462</u>	<u>181,808</u>	<u>1,181,865</u>
<i>Fund Balances End of Year</i>	<u>\$407,796</u>	<u>\$373,706</u>	<u>\$625,143</u>	<u>\$206,781</u>	<u>\$1,613,426</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
General Fund
For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$46,800	\$46,800	\$50,515	\$3,715
Licenses, Permits and Fees	2,000	20,000	22,264	2,264
Intergovernmental	76,423	146,423	314,385	167,962
Interest	35,000	35,000	66,467	31,467
Other	200	200	12,513	12,313
<i>Total receipts</i>	<u>160,423</u>	<u>248,423</u>	<u>466,144</u>	<u>217,721</u>
Disbursements				
Current:				
General Government	117,172	146,672	127,095	19,577
Public Works	1,000	26,500	17,027	9,473
Health	30,024	30,024	28,028	1,996
Capital Outlay	7,000	67,000	57,598	9,402
Debt Service:				
Principal Retirement	20,000	20,000	20,000	0
Interest and Fiscal Charges	2,750	2,750	2,522	228
<i>Total Disbursements</i>	<u>177,946</u>	<u>292,946</u>	<u>252,270</u>	<u>40,676</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,523)</u>	<u>(44,523)</u>	<u>213,874</u>	<u>258,397</u>
Other Financing Sources				
Transfers In	9,423	9,423	9,423	0
<i>Net Change in Fund Balance</i>	(8,100)	(35,100)	223,297	258,397
<i>Unencumbered Fund Balance Beginning of Year</i>	183,433	183,433	183,433	0
Prior Year Encumbrances Appropriated	1,066	1,066	1,066	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$176,399</u>	<u>\$149,399</u>	<u>\$407,796</u>	<u>\$258,397</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 & Bridge Fund
For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$246,600	\$246,600	\$265,459	\$18,859
Intergovernmental	48,300	48,300	60,003	11,703
<i>Total receipts</i>	<u>294,900</u>	<u>294,900</u>	<u>325,462</u>	<u>30,562</u>
Disbursements				
Current:				
Public Works	255,411	302,411	235,594	66,817
Capital Outlay	170,199	183,199	126,398	56,801
<i>Total Disbursements</i>	<u>425,610</u>	<u>485,610</u>	<u>361,992</u>	<u>123,618</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(130,710)</u>	<u>(190,710)</u>	<u>(36,530)</u>	<u>154,180</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	8,500	8,500
Transfers Out	(140,000)	(80,000)	0	80,000
<i>Total Other Financing Sources (Uses)</i>	<u>(140,000)</u>	<u>(80,000)</u>	<u>8,500</u>	<u>88,500</u>
<i>Net Change in Fund Balance</i>	(270,710)	(270,710)	(28,030)	242,680
<i>Fund Balance Beginning of Year</i>	400,116	400,116	400,116	0
Prior Year Encumbrances Appropriated	980	980	980	0
<i>Fund Balance End of Year</i>	<u>\$130,386</u>	<u>\$130,386</u>	<u>\$373,066</u>	<u>\$242,680</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$694,000	\$694,000	\$739,893	\$45,893
Charges for Services	12,000	12,000	12,000	0
Intergovernmental	109,300	109,300	102,093	(7,207)
Other	<u>0</u>	<u>0</u>	<u>1,613</u>	<u>1,613</u>
<i>Total receipts</i>	<u>815,300</u>	<u>815,300</u>	<u>855,599</u>	<u>40,299</u>
Disbursements				
Current:				
Public Safety	558,946	623,646	549,647	73,999
Capital Outlay	15,000	44,500	39,978	4,522
Debt Service:				
Principal Retirement	30,000	30,000	30,000	0
Interest and Fiscal Charges	<u>1,500</u>	<u>1,500</u>	<u>1,302</u>	<u>198</u>
<i>Total Disbursements</i>	<u>605,446</u>	<u>699,646</u>	<u>620,927</u>	<u>78,719</u>
<i>Excess of Receipts Over Disbursements</i>	<u>209,854</u>	<u>115,654</u>	<u>234,672</u>	<u>119,018</u>
Other Financing (Uses)				
Transfers Out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	184,854	90,654	209,672	119,018
<i>Fund Balance Beginning of Year</i>	412,451	412,451	412,451	0
Prior Year Encumbrances Appropriated	<u>2,146</u>	<u>2,146</u>	<u>2,146</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$599,451</u>	<u>\$505,251</u>	<u>\$624,269</u>	<u>\$119,018</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, 2007**

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.

C. Jointly Governed Organizations and Public Entity Risk Pools

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organizations, but that is not a joint venture because the participants do not retain an ongoing financial interest. The Township participates in the Fairfield Regional Planning Commission, a forty-eight member board.

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 6 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.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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 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.

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, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support 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 only had governmental funds.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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, and Fire Operation 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 Road & Bridge Fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

The Fire Operation Fund receives property tax money and intergovernmental revenues for fire protection services for the Township.

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 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.

As a result of the use of this 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, 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.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

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 2007, the Township's investments were limited to Certificates of Deposit and STAR Ohio, both of which are reported as cash equivalents. The Certificate of Deposit is reported at cost.

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, 2007.

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 2007 were \$66,467, which includes \$30,566 assigned from other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The township had no restricted assets during 2007.

G. 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.

H. 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.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

I. 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.

J. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. 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.

L. 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.

M. 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 reservations have been established for encumbrances.

N. 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 and after nonoperating receipts/disbursements in proprietary 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, 2007
(Continued)**

Note 3 – 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 *Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis* presented for the General, Road & Bridge and Fire Operation Funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is 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 \$640 for the Road and Bridge Fund and \$875 for the Fire operation Fund.

Note 4 – 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;
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;

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 4 – Deposits and Investments (Continued)

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.

A. Deposits

At year-end, the Township's bank balance was \$1,616,603. Of the bank balance:

1. \$200,000 was covered by Federal Deposit Insurance.
2. \$1,416,603 was uninsured and uncollateralized. Although collateral for the securities was held by the pledging financial institution trust department in the Township's name and all statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements would potentially subject the Township to a successful claim by the FDIC.

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.

B. 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.

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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 \$403,300 on deposit with STAR Ohio at year end.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 5 – 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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, 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 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. 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, 2007, was \$7.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows (excluding the Village of Pleasantville):

Real Property	
Residential	\$120,847,950
Agriculture	11,948,900
Commercial/Industrial/Mineral	6,477,300
Public Utility Property	
Real	17,130
Personal	6,959,230
Tangible Personal Property	1,576,585
Total Assessed Value	<u>\$147,827,095</u>

Note 6 – Risk Management

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

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

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 6 – Risk Management (Continued)

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

Casualty Coverage

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

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

Property Coverage

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

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

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 6 – Risk Management (Continued)

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

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$13,443. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Contributions to OTARMA</u>	
2005	\$18,473
2006	\$19,399
2007	\$14,301

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 7 – 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.

The Combined Plan - A cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and 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 2007, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2007 member contribution rates were 9.5% for members in state and local classifications. Public safety members contributed 9.75%. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%.

The 2007 employer contribution rate for state employers was 13.77% of covered payroll. For local government employer units, the rate was 13.85% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2007 was 17.17%.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$17,227, \$16,454 and \$15,953 respectively. The full amount has been contributed for 2007, 2006 and 2005.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 7 – Pension Plans (Continued)

B. Ohio Police & Fire Pension Fund

Pleasant Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan for full-time firefighters. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Pleasant Township's required contributions to OP&F for the years ended December 31, 2007 and 2006 were \$14,654 and \$5,156 respectively. The full amount has been contributed for 2007 and 2006.

C. 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, 2007, 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, 2007.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both the Traditional Pension and the 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-employment 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 12*.

A portion of each employer's contribution to the traditional or combined plan is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2007, state employers contributed at a rate of 13.77% of covered payroll, local government employer units contributed at 13.85% of covered payroll and public safety and law enforcement employer units contributed at 17.17%. The portion of employer contributions, for all employers, allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007.

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

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 8 - Postemployment Benefits (Continued)

A. Ohio Public Employees Retirement System (Continued)

The following assumptions and calculations were based on OPERS's latest actuarial review, performed as of December 31, 2006:

Funding Method – The individual entry age 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 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, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2006 was 6.50%.

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 0.5% to 5% 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).

OPEBs are advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. The rates stated above are the contractually required contribution rates for OPERS. Actual employer contributions for 2007 which were used to fund post-employment benefits were \$12,479. The amount of \$12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2006, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB at \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police & Fire Pension Fund

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 8 - Postemployment Benefits (Continued)

The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2005 and in 2006. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2006, the date of the last actuarial valuation available, are 14,120 for Police and 10,563 for Firefighters. The portion of employer contributions used to pay post-employment benefits was \$4,118 in 2007. OP&F's total health care expense for the year ending December 31, 2006, the date of the last actuarial valuation available, was \$120,373,722, which was net of member contributions of \$58,532,848.

Note 9 - Notes Payable

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Fire Engine Installment Loan – 2004	3.10%	\$150,000	December 1, 2008
Community Room Construction Notes – 2005	3.90%	\$100,000	June 1, 2010

The Township's debt activity for the year ended December 31, 2007, is as follows:

	<u>Outstanding 12/31/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2007</u>	<u>Due In One Year</u>
Fire Engine Installment Loan - 2004	\$50,000	\$0	\$30,000	\$20,000	\$30,000
Community Room Construction Notes	70,000	0	20,000	50,000	20,000
Total	<u>\$120,000</u>	<u>\$0</u>	<u>\$50,000</u>	<u>\$70,000</u>	<u>\$50,000</u>

The Fire Engine and Community Room 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>
2008	\$40,000	\$2,143	\$42,143
2009	20,000	975	20,975
2010	10,000	195	10,195

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, 2007, were an overall debt margin of \$15,452,000 and an unvoted debt margin of \$8,060,000.

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 10 – Interfund Transfers

During 2007 the following transfers were made:

Transfer from the Fire Station Levy Fund to General Fund	\$9,423
Transfer from the Fire Operation Fund to Fire Apparatus Fund	\$25,000

The transfer from the Fire Station Levy Fund was made with Court approval as the last step in closing this Fund after all loans were repaid. The transfer from the Fire Operation Fund was to provide matching funds in accordance with FEMA grant requirements for fire department equipment.

Note 11 – 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 12 – Jointly Governed Organizations

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 or responsibility by the Township.

Note 13 – Subsequent Events

The Trustees voted on January 17, 2008 to formally terminate the current Snoke Hill Road Issue 2 project. Trustees plan to pursue resolution of the right-of-way issues and review the project scope with the intention of applying to OPWC for a future Snoke Hill Road improvement project.

Walnut Township Trustees provided notice that they were terminating their fire protection contract with Pleasant Township. Contract revenue of \$12,000 annually is only 1% of Fire Fund revenues.

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Mary Taylor, CPA

Auditor of State

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

Pleasant Township
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, 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 29, 2008, wherein we noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* consider this services to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

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We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above as finding 2007-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 29, 2008.

Compliance and Other Matters

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

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 29, 2008.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 29, 2008

**PLEASANT TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007**

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2007-001

Significant Deficiency / Material Weakness / Material Noncompliance

Allocating Trustee Compensation

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by 2004 Op. Att'y Gen. No. 2004-036. This section requires that compensation of a township trustee must be paid from the township General Fund or from such other township funds, in such proportions, as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed in a manner similar to the trustees paid per diem compensation.

A resolution was approved by the Trustees on December 28, 2006. The resolution states in part that "Trustees will be paid from the Road and Bridge Fund and comply with the OAG Opinion requirement to document time by maintaining a time log and submitting it to the fiscal officer quarterly".

In accordance with the resolution, Trustee salaries and benefits were allocated and paid out of the Road and Bridge Fund.

Trustee Siefert provided the required documentation detailing that 97% of her time was spent on Township roads. Trustees Highley and Kemmerer did not provide the required documentation.

The lack of maintaining trustee time sheets or improperly posting funds recorded on the trustee time sheets results in the improper expenditure of Township funds in violation of statutes. During the Township's 2004-05 financial audit, they received a warning for this issue.

Total Paid from Road and Bridge Fund:

Salaries	\$33,030	
Benefits	<u>\$5,053</u>	(divided by 3 trustees - \$1,684 benefits per trustee)
	\$38,083	

Trustee:	Salary	Benefit	Total	Time spent on roads per supporting doc	Amount correctly posted to the Road and Bridge Fund	Amount to Adjust to General Fund
Siefert	\$11,010	\$1,684	\$12,694	97%	\$12,313	\$381
Highley	\$11,010	\$1,684	\$12,694	0%	\$0	\$12,694
Kemmerer	\$11,010	\$1,684	\$12,694	0%	\$0	\$12,694
						\$25,769

PLEASANT TOWNSHIP
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)

<p>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2007-001 (Continued)

Significant Deficiency / Material Weakness / Material Noncompliance (Continued)

Allocating Trustee Compensation (Continued)

The Township's financial statement and accounting records have been adjusted to accurately reflect this adjustment.

We recommend the Trustees utilize time sheets and the Trustees salaries be properly posted to the correct funds as per the time sheets.

Officials' Response: Starting in 2008, Trustee salaries are being paid from the General Fund to comply with ORC 505.24(C) and to avoid any further problems caused by inadequate documentation of Trustee time.

PLEASANT TOWNSHIP
FAIRFIELD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Maintaining proper documentation for allocating Trustee compensation	No	Not Corrected; Repeated as Finding 2007-001.



Mary Taylor, CPA
Auditor of State

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
OCTOBER 9, 2008**