



**Auditor of State
Betty Montgomery**

**PLEASANT TOWNSHIP
KNOX COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Pleasant Township
Knox County
10625 Jacobs Drive
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited the accompanying financial statements of Pleasant Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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's financial transactions were processed using 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 conduct the audit of 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 § 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 believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting 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 combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

February 20, 2004

**PLEASANT TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust Fund</u>	
Cash Receipts:				
Local Taxes	\$42,065	\$110,737	\$0	\$152,802
Intergovernmental	60,947	88,216	0	149,163
Licenses, Permits, and Fees	9,942	2,350	0	12,292
Earnings on Investments	377	80	24	481
Other Revenue	13,308	300	0	13,608
Total Cash Receipts	126,639	201,683	24	328,346
Cash Disbursements:				
Current:				
General Government	87,498	0	0	87,498
Public Safety	100	28,696	0	28,796
Public Works	0	142,923	0	142,923
Health	1,779	2,784	0	4,563
Conservation - Recreation	100	0	0	100
Supplies and Materials	0	0	52	52
Debt Service:				
Redemption of Principal	125,000	0	0	125,000
Interest and Fiscal Charges	4,913	0	0	4,913
Capital Outlay	25,059	25,425	0	50,484
Total Cash Disbursements	244,449	199,828	52	444,329
Total Receipts Over/(Under) Disbursements	(117,810)	1,855	(28)	(115,983)
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	150,000	0	0	150,000
Advances-In	1,500	1,500	0	3,000
Advances-Out	(1,500)	(1,500)	0	(3,000)
Total Other Financing Receipts/(Disbursements)	150,000	0	0	150,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	32,190	1,855	(28)	34,017
Fund Cash Balances, January 1, 2003	72,426	57,255	1,640	131,321
Fund Cash Balances, December 31, 2003	<u>\$104,616</u>	<u>\$59,110</u>	<u>\$1,612</u>	<u>\$165,338</u>
Reserve for Encumbrances, December 31, 2003	<u>\$0</u>	<u>\$897</u>	<u>\$0</u>	<u>\$897</u>

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

**PLEASANT TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust Fund</u>	
Cash Receipts:				
Local Taxes	\$38,596	\$87,372	\$0	\$125,968
Intergovernmental	47,405	76,628	0	124,033
Licenses, Permits, and Fees	4,326	2,100	0	6,426
Earnings on Investments	490	212	37	739
Other Revenue	1,143	475	0	1,618
	<u>91,960</u>	<u>166,787</u>	<u>37</u>	<u>258,784</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	86,640	0	0	86,640
Public Safety	50	25,395	0	25,445
Public Works	82	166,240	0	166,322
Health	1,070	1,165	0	2,235
Debt Service:				
Redemption of Principal	55,000	0	0	55,000
Interest and Fiscal Charges	9,683	0	0	9,683
Capital Outlay	74,738	0	0	74,738
	<u>227,263</u>	<u>192,800</u>	<u>0</u>	<u>420,063</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(135,303)</u>	<u>(26,013)</u>	<u>37</u>	<u>(161,279)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	125,000	0	0	125,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements				
	(10,303)	(26,013)	37	(36,279)
Fund Cash Balances, January 1, 2002	82,729	83,268	1,603	167,600
Fund Cash Balances, December 31, 2002	<u>\$72,426</u>	<u>\$57,255</u>	<u>\$1,640</u>	<u>\$131,321</u>
Reserve for Encumbrances, December 31, 2002	<u>\$260</u>	<u>\$2,043</u>	<u>\$0</u>	<u>\$2,303</u>

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

**PLEASANT TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Pleasant Township, Knox County, Ohio, (the Township) is a body corporate and politic established 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 provides road and bridge maintenance and cemetery maintenance. The Township contracts with the City of Mount Vernon to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and 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 disbursements, respectively.

Certificates of deposit are valued at cost or fair value when donated.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**PLEASANT TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Road District Fund - This fund receives property tax money to pay for constructing, maintaining, and repairing Township roads.

3. Fiduciary Fund (Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. The Township had the following significant Nonexpendable Trust Fund:

Cemetery Bequest - This fund receives interest income from bequests for the benefit of the cemetery.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The budgetary presentations have been adjusted to include items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**PLEASANT TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment pool used by all funds, except the Certificate of Deposit, which is a Cemetery Fund deposit. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$164,250	\$130,233
Certificates of deposit	1,088	1,088
Total deposits	\$165,338	\$131,321

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$142,920	\$276,639	\$133,719
Special Revenue	169,775	201,683	31,908
Non Expendable Trust	52	24	(28)
Total	\$312,695	\$478,322	\$165,627

2003 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$215,607	\$244,449	(\$28,842)
Special Revenue	227,598	200,725	26,873
Non Expendable Trust	1,692	52	1,640
Total	\$443,205	\$445,174	(\$1,969)

**PLEASANT TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$217,202	\$216,960	(\$242)
Special Revenue	161,867	166,787	4,920
Non Expendable Trust	51	37	(14)
Total	\$379,120	\$383,784	\$4,664

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$299,930	\$227,523	\$72,407
Special Revenue	245,136	194,843	50,293
Non Expendable Trust	566	0	566
Total	\$545,632	\$422,366	\$123,266

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$150,000	2.45%

The general obligation notes were issued to purchase road equipment, a truck, and to pay off a previous loan for the construction of the new Township hall. These notes mature in August of 2009. The notes are collateralized solely by the Township's taxing authority.

**PLEASANT TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	General Obligation Notes
2004	\$28,675
2005	28,063
2006	27,450
2007	26,838
2008	26,225
2009	25,613
Total	\$162,864

In fiscal year 2002, the Township issued \$125,000 of notes through National City Bank, with an interest rate of 3.99% to purchase equipment and to pay off a previous loan for the Township hall with an interest rate of 5.00% through First Knox National Bank. In fiscal year 2003, the Township issued \$150,000 of notes through National City Bank, with an interest rate of 2.99% to purchase equipment and to pay off the notes that were issued in fiscal year 2002.

6. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002.

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. OTARMA provides property and casualty insurance 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

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

**PLEASANT TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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 \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed 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 government.

Financial Position

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

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

(Audited financial statements for 2003 are not yet available.)



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Pleasant Township
Knox County
10625 Jacobs Drive
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited the accompanying financial statements of Pleasant Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated February 20, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of States Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we have noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 20, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Pleasant Township
Knox County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by 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

February 20, 2004

PLEASANT TOWNSHIP
KNOX COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40642-001	Revised Code 5705.41(D), failure to certify funds	No	Partially corrected. Reported in the Management Letter.

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**Auditor of State
Betty Montgomery**

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PLEASANT TOWNSHIP

KNOX 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
APRIL 27, 2004**