

VILLAGE OF PLEASANT CITY

AUDIT REPORT

JANUARY 1, 2017 - DECEMBER 31, 2018

**Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701**

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Village Council
Village of Pleasant City
PO Box 272
Pleasant City, Ohio 43772

We have reviewed the *Independent Auditors' Report* of the Village of Pleasant City, Guernsey County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Pleasant City is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

August 19, 2019

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**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY
JANUARY 1, 2017 - DECEMBER 31, 2018**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Village of Pleasant City
Guernsey County
P.O. Box 272
Pleasant City, Ohio 43772

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of Pleasant City, Guernsey County, as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Pleasant City as of December 31, 2018 and 2017, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type and the related notes of Village of Pleasant City, Guernsey County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2019, on our consideration of the Village of Pleasant City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 19, 2019

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property Tax and Other Local Taxes	\$ 20,415	\$ 25,682	\$ 46,097
Intergovernmental	19,858	82,667	102,525
Charges for Services	-	1,000	1,000
Fines, Licenses, and Permits	7,609	-	7,609
Earnings on Investments	1,344	-	1,344
Total Cash Receipts	<u>49,226</u>	<u>109,349</u>	<u>158,575</u>
Cash Disbursements			
Current:			
Security of Persons and Property	12,249	83,110	95,359
Public Health Services	633	-	633
Basic Utility Services	977	-	977
Transportation	-	24,286	24,286
General Government	23,341	459	23,800
Total Cash Disbursements	<u>37,200</u>	<u>107,855</u>	<u>145,055</u>
Excess of Receipts Over (Under) Disbursements	12,026	1,494	13,520
Other Cash Financing Receipts (Disbursements)			
Sale of Capital Assets	-	4,000	4,000
Total Other Cash Financing Receipts (Disbursements)	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Net Change in Fund Cash Balance	12,026	5,494	17,520
Fund Cash Balances, January 1, 2018	<u>42,501</u>	<u>149,272</u>	<u>191,773</u>
Fund Cash Balances, December 31, 2018			
Restricted	-	154,766	154,766
Unassigned (Deficit)	54,527	-	54,527
Fund Cash Balances, December 31, 2018	<u>\$ 54,527</u>	<u>\$ 154,766</u>	<u>\$ 209,293</u>

See notes to financial statements.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Proprietary
	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$ 351,479
Total Operating Cash Receipts	351,479
Operating Cash Disbursements:	
Personal Services	52,213
Fringe Benefits	4,020
Contractual Services	36,369
Supplies and Materials	41,412
Other	8,292
Total Operating Cash Disbursements	142,306
Operating Income/(Loss)	209,173
Non-Operating Cash Receipts (Disbursements):	
Loan Proceeds	30,195
Capital Outlay	(15,338)
Redemption of Principal	(71,719)
Interest and Other Fiscal Charges	(64,912)
Total Non-Operating Cash Receipts (Disbursements)	(121,774)
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	87,399
Transfers In	89,631
Transfers Out	(89,631)
Net Change in Fund Cash Balance	87,399
Fund Cash Balances, January 1	332,866
Fund Cash Balances, December 31	\$ 420,265

See notes to financial statements.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Pleasant City, Guernsey County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, including water and sewer utilities, street repair and maintenance, fire protection services and emergency medical services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

Governmental Funds

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds.

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

Fire Levy Fund - This fund receives property and other local tax money to be used for fire protection of the Village.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 activity appears in Note 3.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

The Village's accounting basis includes investment as assets. This basis does not record disbursement for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Property, Plant, and Equipment

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

Accumulated Leave

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

Fund Balance

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

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2018 is as follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 37,025	\$ 49,226	\$ 12,201
Special Revenue	58,223	113,349	55,126
Enterprise	338,000	471,305	133,305
Total	\$ 433,248	\$ 633,880	\$ 200,632

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 78,383	\$ 37,200	\$ 41,183
Special Revenue	244,131	107,855	136,276
Enterprise	669,202	383,906	285,296
Total	\$ 991,716	\$ 528,961	\$ 462,755

Contrary to ORC 5705.39, the Village had funds where appropriations exceeded estimated resources.

Contrary to ORC 5705.41(D), the Village made expenditures prior to certification.

4. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2018
Demand Deposits	\$ 537,896
Certificates of Deposit	91,662
Total Deposits and Investments	\$ 629,558

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

5. PROPERTY TAX

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

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Law enforcement liability;
- Public Officials liability;
- Employment practices liability; and
- Errors and omissions.

The Village provides health insurance to full-time employees through Guernsey County (County). The Village is invoiced their monthly premiums and the premiums are paid to the County. All risk transfers to the County.

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Village's full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2018.

8. POSTEMPLOYMENT BENEFITS

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. DEBT

Debt outstanding at December 31, 2018 was as follows:

	2018	
	<u>Principal</u>	<u>%</u>
OWDA #2084 Water Plant Expansion	\$ 16,107	5.76
OPWC CT36B Wastewater Plant	175,000	0.00
Sanitary Sewer Revenue Bonds	1,498,900	4.12
Farmers and Merchant Bank Water Meters	30,195	3.50
Farmers and Merchant Bank Water Leak Repairs	21,666	5.004
Total	<u>\$ 1,741,868</u>	

Ohio Water Development Authority (OWDA) loan (#2084) relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. This loan will be repaid in semiannual installments of \$2,315, including interest, over 24.5 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

9. DEBT

The Ohio Public Works Commission (OPWC) Loan #CT36B relates to construction of a wastewater treatment plant that was mandated by the Ohio Environmental Protection Agency. The OPWC has approved up to \$500,000 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$12,500 over 20 years. As of December 31, 2006, the Village has received \$500,000 from OPWC. Repayment of this debt began once the project was completed, which occurred during 2006. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Sanitary Sewer Revenue Bonds, Series 2007 relate to a waste water project that was mandated by the Ohio Environmental Protection Agency. These mortgage revenue bonds, in the amount of \$1,704,000 were purchased by the United States Department of Agriculture. The bonds are collateralized by charges on net revenues of the sewer operating fund and a mortgage upon all extensions and additions and improvements thereto subsequently constructed or acquired. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Sanitary Sewer Revenue Bonds, Series 2007 bond covenant requires the Village to establish a Sanitary Sewer System Reserve Fund to set-aside \$89,631. The Village has purchased a certificate of deposit in the amount of \$90,000 to cover the "minimum reserve" established in the bond covenant. This amount is reflected in the Sanitary Sewer System Reserve Fund. Also, the bond covenant requires the establishment of a Sanitary System Surplus Fund, both of which were created.

In August of 2016, the Village entered into a loan with The Farmers and Merchant Bank for \$30,175 to be used to pay a vendor who had corrected water leaks in the Village.

In October of 2018, the Village entered into a loan with The Farmers and Merchant Bank for \$30,195 to be used to purchase a water meter system.

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

Year	OWDA #2084	OPWC CT36B	Sewer Bonds	FMB Water	FMB Water Meter
2019	\$ 6,177	\$ 25,000	\$ 89,530	\$ 6,603	\$ 6,853
2020	4,445	25,000	89,587	6,603	6,853
2021	4,516	25,000	89,595	6,603	6,853
2022	2,296	25,000	89,553	3,302	6,853
2023	-	25,000	89,562	-	6,853
2024-2028	-	50,000	447,797	-	-
2029-2033	-	-	447,810	-	-
2034-2038	-	-	447,874	-	-
2039-2043	-	-	447,812	-	-
2044-2048	-	-	358,306	-	-
Total	<u>\$ 17,434</u>	<u>\$ 175,000</u>	<u>\$ 2,597,426</u>	<u>\$ 23,111</u>	<u>\$ 34,265</u>

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property Tax and Other Local Taxes	\$ 17,617	\$ 23,017	\$ 40,634
Intergovernmental	16,338	19,692	36,030
Charges for Services	-	31,000	31,000
Fines, Licenses, and Permits	7,901	-	7,901
Earnings on Investments	2,796	-	2,796
Total Cash Receipts	<u>44,652</u>	<u>73,709</u>	<u>118,361</u>
Cash Disbursements			
Current:			
Security of Persons and Property	4,063	13,593	17,656
Public Health Services	762	-	762
Basic Utility Services	695	-	695
Transportation	3,034	28,268	31,302
General Government	31,726	256	31,982
Total Cash Disbursements	<u>40,280</u>	<u>42,117</u>	<u>82,397</u>
Net Change in Fund Cash Balance	4,372	31,592	35,964
Fund Cash Balances, January 1, 2017	<u>38,129</u>	<u>117,680</u>	<u>155,809</u>
Fund Cash Balances, December 31, 2017			
Restricted	-	149,272	149,272
Unassigned (Deficit)	42,501	-	42,501
Fund Cash Balances, December 31, 2017	<u>\$ 42,501</u>	<u>\$ 149,272</u>	<u>\$ 191,773</u>

See notes to financial statements.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017

	Proprietary
	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$ 322,499
Total Operating Cash Receipts	322,499
Operating Cash Disbursements:	
Personal Services	52,941
Fringe Benefits	4,497
Contractual Services	39,282
Supplies and Materials	36,858
Other	3,867
Total Operating Cash Disbursements	137,445
Operating Income/(Loss)	185,054
Non-Operating Cash Receipts (Disbursements):	
Special Assessments	7,485
Capital Outlay	(12,422)
Redemption of Principal	(71,263)
Interest and Other Fiscal Charges	(82,142)
Total Non-Operating Cash Receipts (Disbursements)	(158,342)
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	26,712
Transfers In	90,000
Transfers Out	(90,000)
Net Change in Fund Cash Balance	26,712
Fund Cash Balances, January 1	306,154
Fund Cash Balances, December 31	\$ 332,866

See notes to financial statements.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Pleasant City, Guernsey County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, including water and sewer utilities, street repair and maintenance, fire protection services and emergency medical services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

Governmental Funds

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds.

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

Fire Levy Fund - This fund receives property and other local tax money to be used for fire protection of the Village.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 activity appears in Note 3.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

The Village's accounting basis includes investment as assets. This basis does not record disbursement for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Property, Plant, and Equipment

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

Accumulated Leave

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

Fund Balance

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

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2017 is as follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,518	\$ 44,652	\$ 9,134
Special Revenue	67,548	73,709	6,161
Enterprise	326,750	419,984	93,234
Total	\$ 429,816	\$ 538,345	\$ 108,529

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 73,646	\$ 40,280	\$ 33,366
Special Revenue	173,827	42,117	131,710
Enterprise	636,238	393,272	242,966
Total	\$ 883,711	\$ 475,669	\$ 408,042

Contrary to ORC 5705.39, the Village had funds where appropriations exceeded estimated resources.

Contrary to ORC 5705.41(D), the Village made expenditures prior to certification.

4. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2017
Demand Deposits	\$ 432,977
Certificates of Deposit	91,662
Total Deposits and Investments	\$ 524,639

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

5. PROPERTY TAX

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

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Law enforcement liability;
- Public Officials liability;
- Employment practices liability; and
- Errors and omissions.

The Village provides health insurance to full-time employees through Guernsey County (County). The Village is invoiced their monthly premiums and the premiums are paid to the County. All risk transfers to the County.

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Village's full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2017.

8. POSTEMPLOYMENT BENEFITS

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. DEBT

Debt outstanding at December 31, 2017 was as follows:

	2017 Principal	%
OWDA #2084 Water Plant Expansion	\$ 17,907	5.76
OPWC CT36B Wastewater Plant	212,500	0.00
Sanitary Sewer Revenue Bonds	1,525,600	4.12
Farmers and Merchant Bank Water Leak Repairs	27,386	5.004
Total	\$ 1,783,393	

Ohio Water Development Authority (OWDA) loan (#2084) relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. This loans will be repaid in semiannual installments of \$2,315, including interest, over 24.5 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

9. DEBT

The Ohio Public Works Commission (OPWC) Loan #CT36B relates to construction of a wastewater treatment plant that was mandated by the Ohio Environmental Protection Agency. The OPWC has approved up to \$500,000 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$12,500 over 20 years. As of December 31, 2006, the Village has received \$500,000 from OPWC. Repayment of this debt began once the project was completed, which occurred during 2006. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Sanitary Sewer Revenue Bonds, Series 2007 relate to a waste water project that was mandated by the Ohio Environmental Protection Agency. These mortgage revenue bonds, in the amount of \$1,704,000 were purchased by the United States Department of Agriculture. The bonds are collateralized by charges on net revenues of the sewer operating fund and a mortgage upon all extensions and additions and improvements thereto subsequently constructed or acquired. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Sanitary Sewer Revenue Bonds, Series 2007 bond covenant requires the Village to establish a Sanitary Sewer System Reserve Fund to set-aside \$89,631. The Village has purchased a certificate of deposit in the amount of \$90,000 to cover the “minimum reserve” established in the bond covenant. This amount is reflected in the Sanitary Sewer System Reserve Fund. Also, the bond covenant requires the establishment of a Sanitary System Surplus Fund, both of which were created.

In August of 2016, the Village entered into a loan with The Farmers and Merchant Bank for \$30,175 to be used to pay a vendor who had corrected water leaks in the Village.. The balance at January 1, 2017 was restated to \$30,175.

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

Year	OWDA #2084	OPWC CT36B	Sewer Bonds	Farmers Bank
2018	\$ 4,314	\$ 25,000	\$ 89,631	\$ 6,603
2019	4,378	25,000	89,530	6,603
2020	4,445	25,000	89,587	6,603
2021	4,516	25,000	89,595	6,603
2022	2,296	25,000	89,553	3,302
2023-2027	-	87,500	447,798	-
2028-2032	-	-	447,849	-
2033-2037	-	-	447,814	-
2038-2042	-	-	447,906	-
2043-2047	-	-	447,794	-
Total	<u>\$ 19,949</u>	<u>\$ 212,500</u>	<u>\$ 2,687,057</u>	<u>\$ 29,714</u>

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Village of Pleasant City
Guernsey County
P.O. Box 272
Pleasant City, Ohio 43772

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Pleasant City, Guernsey County as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 19, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of Pleasant City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2018-001 and 2018-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Pleasant City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2018-001 and 2018-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 19, 2019

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Noncompliance and Material Weakness

Ohio Revised Code Section 733.28 states, in part, that the Village Clerk shall keep the books of the Village and exhibit accurate statements of all monies received and expended.

Ohio Admin. Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

There were numerous reclassifications and adjustments made to the financial statements as follows:

- In 2017, an adjustment was made in the amount of \$552 to increase Intergovernmental Revenue in the State Highway Fund and to reduce Intergovernmental Revenue in the Street Fund to properly allocate gas tax money.
- In 2017, an adjustment in the amount of \$1,695 was made to decrease Intergovernmental Revenue in the Street Fund and to increase Intergovernmental Revenue in the General Fund, Fire Fund and Police Fund by \$1,143, \$199 and \$353 so that Rollbacks are properly allocated to the proper funds.
- In 2017, a reclassification in the amount of \$7,485 was made to increase Special Assessments in the Enterprise Fund and decrease Charges for Services for utility bills collected by the County Auditor.
- In 2017, a reclassification of \$15,911 was made to increase Principal Retirement and decrease Interest and Other Fiscal Charges in the Enterprise Funds to properly show debt payments.
- In 2018, an adjustment was made in the amount of \$989 to increase Intergovernmental Revenue in the State Highway Fund and to reduce Intergovernmental Revenue in the Street Fund to properly allocate gas tax money.
- In 2018, an adjustment in the amount of \$3,386 was made to decrease Intergovernmental Revenue in the Street Fund and to increase Intergovernmental Revenue in the General Fund, Fire Fund and Police Fund by \$2,283, \$409 and \$694 so that Rollbacks are properly allocated to the proper funds.
- In 2018, a reclassification in the amount of \$4,000 was made to Increase Sale of Capital Assets and decrease Intergovernmental Revenue in the Fire Fund for the sale of a fire truck.
- In 2018, a reclassification in the amount of \$31,195 was made to increase Debt Proceeds and decrease Charges for Services in the Water Fund for a new loan.
- In 2018, a reclassification of \$51,719 was made to increase Principal Retirement and decrease Interest and Other Fiscal Charges in the Enterprise Funds to properly show debt payments.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001 (Continued)

The reclassifications are reflected in the accompanying financial statements.

We recommend the Fiscal Officer review guidance within the Uniform Accounting Network Accounting Manual under Village Chart of Accounts and/or the Village Officer’s Handbook (Revised 3/2013). This guidance will allow the Fiscal Officer to make proper postings to receipts and expenditures account classifications based on the source of receipts or the purpose of the expenditure. Someone independent of the Fiscal Officer, preferably a member of Council, should periodically review postings to the accounting system for accuracy. them to the county auditor.

Client Response: We received no response from client.

FINDING NUMBER 2018-002

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balance of appropriations.

Estimated Receipts, as reflected on the Uniform Accounting Network computer system and in the Village’s notes to the financial statements, did not always agree to the final Amended Certificate of Estimated Resources as approved by the County Budget Commission. The variances noted were:

Fund	Year	Amount Per Last Amended Certificate	Amounts Posted To Accounting System	Variance
Street Construction	2018	\$ 29,312	\$ 28,812	\$ 500
Fire	2018	21,413	118,290	(96,877)
Permissive	2018	-	500	(500)
Water Debt Service	2018	-	90,000	(90,000)
State Highway	2017	625	4,450	(3,825)
Permissive	2017	-	1,000	(1,000)
Water Debt Service	2017	-	89,498	(89,498)

The budgetary activity in Note 3 to the financial statements was adjusted to reflect the County Auditor estimated receipt amounts.

Client Response: We received no response from the client.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-003

Noncompliance – Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total estimate or amended official estimate.

		Estimated			
Fund	Year	Resources		Appropriations	Variance
Fire	2018	\$ 67,484		\$ 115,923	\$ (48,439)
Water Debt Service	2018	90,000		180,000	(90,000)
Sewer	2017	268,426		273,436	(5,010)
Water Debt Service	2017	89,498		178,995	(89,497)

We recommend Council review estimated resources versus appropriations throughout the year. Also, Council should not approve appropriations greater than estimated resources. This could result in the Village spending more money than it receives and could cause possible negative fund balances.

Client Response: We have not received a response from client.

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**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2018**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	ORC 733.28 and OAC 117-2-02(A) not posting receipts and expenditures in the proper account classifications	No	Not Corrected Repeated as Finding 2018-001
2016-002	Not posting approved budgeted receipts and appropriations correctly to the UAN system	No	Not Corrected Repeated as Finding 2018-002
2016-003	Noncompliance ORC 5705.39 appropriations exceeding estimated resources	No	Not Corrected Repeated as Finding 2018-003

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OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF PLEASANT CITY

GUERNSEY 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
SEPTEMBER 3, 2019**