



**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998 - 1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Pleasant City
Guernsey County
PO Box 272
Pleasant City, Ohio 43772

To the Village Council:

We have audited the accompanying financial statements of the Village of Pleasant City, Guernsey County, Ohio, (the Village) as of and for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village 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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Pleasant City, Guernsey County, as of December 31 1998 and 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, Village Council, 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.

Jim Petro
Auditor of State

April 25, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$8,187	\$10,015	\$18,202
Intergovernmental Receipts	59,206	20,499	79,705
Charges for Services		9,848	9,848
Earnings on Investments	2,532	283	2,815
Miscellaneous	13,459	21,589	35,048
	<u>83,384</u>	<u>62,234</u>	<u>145,618</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	2,458	48,636	51,094
Public Health Services	96		96
Leisure Time Activities	283		283
Transportation	3,295	14,731	18,026
General Government	27,177		27,177
Capital Outlay	45,270		45,270
	<u>78,579</u>	<u>63,367</u>	<u>141,946</u>
Total Cash Disbursements			
	<u>78,579</u>	<u>63,367</u>	<u>141,946</u>
Total Receipts Over/(Under) Disbursements	<u>4,805</u>	<u>(1,133)</u>	<u>3,672</u>
Fund Cash Balances, January 1	<u>36,387</u>	<u>30,187</u>	<u>66,574</u>
Fund Cash Balances, December 31	<u>\$41,192</u>	<u>\$29,054</u>	<u>\$70,246</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$94,297
Miscellaneous	1,449
	95,746
Total Operating Cash Receipts	95,746
Operating Cash Disbursements:	
Personal Services	18,051
Contractual Services	40
Supplies and Materials	26,291
Capital Outlay	278,970
	323,352
Total Operating Cash Disbursements	323,352
Operating Income/(Loss)	(227,606)
Non-Operating Cash Receipts:	
Intergovernmental Receipts	268,872
Other Non-Operating Receipts	3,119
	271,991
Total Non-Operating Cash Receipts	271,991
Non-Operating Cash Disbursements:	
Debt Service	63,964
Other Non-Operating Cash Disbursements	1,105
	65,069
Total Non-Operating Cash Disbursements	65,069
Excess of Receipts Over/(Under) Disbursements	(20,684)
Fund Cash Balances, January 1	41,412
Fund Cash Balances, December 31	\$20,728

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$7,024	\$10,755	\$17,779
Intergovernmental Receipts	47,153	11,504	58,657
Charges for Services		9,848	9,848
Earnings on Investments	2,172	194	2,366
Miscellaneous	10,974	20	10,994
	<u>67,323</u>	<u>32,321</u>	<u>99,644</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	2,838	14,744	17,582
Public Health Services	99		99
Leisure Time Activities	136		136
Transportation	5,611	17,690	23,301
General Government	22,464		22,464
Debt Service:			
Principal Payments	683		683
Capital Outlay	24,730		24,730
	<u>56,561</u>	<u>32,434</u>	<u>88,995</u>
Total Cash Disbursements			
	<u>56,561</u>	<u>32,434</u>	<u>88,995</u>
Total Receipts Over/(Under) Disbursements	10,762	(113)	10,649
Fund Cash Balances, January 1	25,625	30,300	55,925
Fund Cash Balances, December 31	<u>\$36,387</u>	<u>\$30,187</u>	<u>\$66,574</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$61,757
Total Operating Cash Receipts	61,757
Operating Cash Disbursements:	
Personal Services	15,737
Contractual Services	312
Supplies and Materials	25,067
Capital Outlay	494,400
Total Operating Cash Disbursements	535,516
Operating Income/(Loss)	(473,759)
Non-Operating Cash Receipts:	
Intergovernmental Receipts	502,605
Other Non-Operating Receipts	2,187
Total Non-Operating Cash Receipts	504,792
Non-Operating Cash Disbursements:	
Debt Service	25,723
Other Non-Operating Cash Disbursements	400
Total Non-Operating Cash Disbursements	26,123
Excess of Receipts Over/(Under) Disbursements	4,910
Fund Cash Balances, January 1	36,502
Fund Cash Balances, December 31	\$41,412

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Pleasant City, Guernsey County, (the Village) 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 Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and fire protection. The Village contracts with Guernsey County Sheriff's department for police protection.

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

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

C. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village 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 Fund

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 Village had the following significant Special Revenue Funds:

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

Fire Levy Fund -This fund receives tax monies assessed and levied on general assessed valuation of real and personal property taxes for contributions to the volunteer fire department.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. 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 the cost of providing this utility.

Water Utility Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority and grant monies from Ohio Public Works Commission to finance a utility plant expansion. This loan will be repaid from utility charges, also accounted for in this fund.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility. This fund received loan proceeds from the Ohio Water Development Authority and grant monies from Ohio Public Works Commission to finance the creation of a wastewater plant. This loan will be repaid from utility charges, also accounted for in this fund.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. 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 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.

2. Estimated Resources

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

3. 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 1998 and 1997 budgetary activity appears in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

2. EQUITY IN POOLED CASH

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

	<u>1998</u>	<u>1997</u>
Demand deposits	<u>\$ 90,974</u>	<u>\$ 107,986</u>

Deposits: Deposits are either (1) insured by the Federal Deposit 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, 1998 and 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 107,712	\$ 83,384	\$ (24,328)
Special Revenue	63,644	62,234	(1,410)
Enterprise	268,922	367,737	98,815
Total	\$ 440,278	\$ 513,355	\$ 73,077

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 67,210	\$ 78,579	\$ (11,369)
Special Revenue	52,588	63,367	(10,779)
Enterprise	122,224	388,421	(266,197)
Total	\$ 242,022	\$ 530,367	\$ (288,345)

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 84,491	\$ 67,323	\$ (17,168)
Special Revenue	55,442	32,321	(23,121)
Enterprise	<u>558,599</u>	<u>566,549</u>	<u>7,950</u>
Total	<u>\$ 698,532</u>	<u>\$ 666,193</u>	<u>\$ (32,339)</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 73,660	\$ 56,561	\$ 17,099
Special Revenue	55,008	32,434	22,574
Enterprise	<u>95,512</u>	<u>561,639</u>	<u>(466,127)</u>
Total	<u>\$ 224,180</u>	<u>\$ 650,634</u>	<u>\$ (426,454)</u>

During 1998, the Village had expenditures which exceeded appropriations in the General Fund, and the Street Construction, Maintenance and Repair Fund, and Fire Levy Fund, Special Revenue Fund types and the Water Fund, Water Improvement Fund and Sewer Fund, Enterprise Fund types, contrary to Ohio Rev. Code Section 5705.41 (B). During 1997, the Street Construction, Maintenance and Repair Fund, Special Revenue Fund type and Water Improvement Fund, Enterprise Fund type had expenditures which exceeded appropriations, contrary to Ohio Rev. Code Section 5705.41 (B).

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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 payment, 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 Village.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan 8065	\$ 623,504	6.12%
Ohio Water Development Authority Loan 8065S	58,826	5.76%
Ohio Water Development Authority Loan EV0481	50,000	0.00%
Ohio Water Development Authority Loan EV0480	25,000	0.00%
Ohio Public Works Commission Loan	500,000	0.00%
Total	\$ 1,257,330	

The Ohio Water Development Authority (OWDA) loans (8065 & 8065S) relate to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. These loans will be repaid in semiannual installments of \$28,621 and \$2,315, respectively, including interest, over 20 and 24.5 years, respectively. The loans are collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to construction of a wastewater 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. The scheduled payment amount below assumes that \$500,000 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loans (EV0481 & EV0481S) relate to planning and design of a wastewater plant project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$75,000 in loans to the Village for this project. These loans will be repaid in annual installments of \$5,000 and \$2,500, respectively, over 10 years. The scheduled payment amount below assumes that \$75,000 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. These loans will be repaid from the general fund until permanent financing is obtained.

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

Year ending December 31:	OWDA Loans	OPWC Loans
1999	\$ 30,936	\$ 25,000
2000	69,372	25,000
2001	69,372	25,000
2002	69,372	25,000
2003	69,372	25,000
Subsequent	934,360	375,000
Total	\$ 1,242,784	\$ 500,000

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

6. RETIREMENT SYSTEMS

The Village's employees, as well as the Council members and Clerk, 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 1998 and 1997, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions



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

Village of Pleasant City
Guernsey County
PO Box 272
Pleasant City, Ohio 43772

To the Village Council:

We have audited the accompanying financial statements of the Village of Pleasant City, Guernsey County, Ohio, (the Village) as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 25, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Village'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1998-31030-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 25, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village'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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 25, 2000.

This report is intended for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 25, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1998-31030-001

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The following funds had expenditures which exceeded appropriations:

1998	
General Fund	\$11,369
Special Revenue Fund	
Street Construction, Maintenance and Repair Fund	34,313
Fire Levy Fund	6,385
Enterprise Fund	
Water Fund	113,952
Water Improvement Fund	42,256
Sewer Fund	43,844
1997	
Special Revenue Fund	
Street Construction, Maintenance and Repair Fund	7,498
Enterprise Fund	
Water Improvement Fund	474,373

We recommend the Clerk modify appropriations with the Village Council and County Budget Commission whenever expenditures exceed appropriations.



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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
MAY 23, 2000**