



Dave Yost • Auditor of State

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

November 3, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Pleasant City
Guernsey County
P.O. 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, 2010 and 2009. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, 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, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2011, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

November 3, 2011

**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, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$13,337	\$14,922	\$28,259
Intergovernmental	20,392	35,356	55,748
Charges for Services	227	12,197	12,424
Fines, Licenses and Permits	6,968		6,968
Earnings on Investments	4,448	321	4,769
Miscellaneous	164	52	216
	<u>45,536</u>	<u>62,848</u>	<u>108,384</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	5,585	17,368	22,953
Public Health Services	1,521		1,521
Basic Utility Service	984	250	1,234
Transportation	1,799	14,754	16,553
General Government	22,940	112	23,052
Debt Service:			
Interest and Fiscal Charges		2,285	2,285
	<u>32,829</u>	<u>34,769</u>	<u>67,598</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	12,707	28,079	40,786
Fund Cash Balances, January 1	16,604	62,165	78,769
Fund Cash Balances, December 31	<u>\$29,311</u>	<u>\$90,244</u>	<u>\$119,555</u>

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$276,228
Total Operating Cash Receipts	276,228
Operating Cash Disbursements:	
Personal Services	48,525
Employee Fringe Benefits	5,591
Contractual Services	25,389
Supplies and Materials	16,833
Other	1,031
Total Operating Cash Disbursements	97,369
Operating Income/(Loss)	178,859
Non-Operating Cash Disbursements:	
Capital Outlay	8,556
Redemption of Principal	83,279
Interest and Other Fiscal Charges	93,183
Total Non-Operating Cash Disbursements	185,018
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(6,159)
Transfers-In	89,590
Transfers-Out	(89,590)
Net Receipts Over/(Under) Disbursements	(6,159)
Fund Cash Balances, January 1	524,741
Fund Cash Balances, December 31	\$518,582

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

**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, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$13,033	\$18,120	\$31,153
Intergovernmental	19,099	24,030	43,129
Charges for Services	254	12,198	12,452
Fines, Licenses and Permits	7,020		7,020
Earnings on Investments	4,727	531	5,258
Miscellaneous	108	479	587
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	44,241	55,358	99,599
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,671	15,836	18,507
Public Health Services	694		694
Basic Utility Service	7,810		7,810
Transportation	80	15,403	15,483
General Government	37,548	210	37,758
Debt Service:			
Interest and Fiscal Charges		2,285	2,285
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	48,803	33,734	82,537
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(4,562)	21,624	17,062
Fund Cash Balances, January 1	21,166	40,541	61,707
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$16,604</u>	<u>\$62,165</u>	<u>\$78,769</u>

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$277,456
Miscellaneous	2,114
	279,570
Operating Cash Disbursements:	
Personal Services	45,150
Employee Fringe Benefits	3,676
Contractual Services	25,914
Supplies and Materials	14,632
Other	16,874
	106,246
Operating Income/(Loss)	173,324
Non-Operating Cash Disbursements:	
Capital Outlay	11,860
Redemption of Principal	66,025
Interest and Other Fiscal Charges	95,575
	173,460
Excess of Receipts Over/(Under) Disbursements	(136)
Transfers-In	70,290
Transfers-Out	(70,290)
Net Receipts Over/(Under) Disbursements	(136)
Fund Cash Balances, January 1	524,877
Fund Cash Balances, December 31	\$524,741

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. 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 services including fire protection, emergency medical services and water and sewer utilities.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. Deposits

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 license tax money for constructing, maintaining, and repairing Village streets.

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

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

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

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

Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund - This fund receives money from the sewer operating fund set aside to satisfy the interest and principal payments due on the bonds acquired to finance the sanitary sewer system construction.

E. 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 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.

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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. Equity in Pooled Deposits

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

	2010	2009
Demand deposits	\$546,475	\$511,848
Certificates of deposit	91,662	91,662
Total deposits	\$638,137	\$603,510

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,047	\$45,536	\$2,489
Special Revenue	52,486	62,848	10,362
Enterprise	340,250	365,818	25,568
Total	\$435,783	\$474,202	\$38,419

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,650	\$32,829	\$26,821
Special Revenue	114,607	34,769	79,838
Enterprise	864,930	371,977	492,953
Total	\$1,039,187	\$439,575	\$599,612

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,370	\$44,241	(\$4,129)
Special Revenue	53,488	55,358	1,870
Enterprise	271,000	349,860	78,860
Total	\$372,858	\$449,459	\$76,601

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,485	\$48,803	\$20,682
Special Revenue	94,007	33,734	60,273
Enterprise	797,428	349,996	447,432
Total	\$960,920	\$432,533	\$528,387

Contrary to Ohio Rev. Code 5705.41(B), budgetary expenditures exceeded appropriation authority for the year ended December 31, 2010 at the legal level of control in the General Fund, the Water Operating Fund, the Sewer Operating Fund and the Enterprise Debt Reserve Fund.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax 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 pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #8065	\$299,303	6.12%
Ohio Water Development Authority Loan #8065S	38,168	5.76%
Ohio Public Works Commission - CT36B	375,000	0%
Fire Truck Bonds, Series 2004	51,353	4.45%
Sanitary Sewer Revenue Bonds, Series 2007	<u>1,684,700</u>	4.12%
Total	<u><u>\$2,448,524</u></u>	

Ohio Water Development Authority (OWDA) loans (#8065 and #8065S) relate to a water plan 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 years 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 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 Fire Truck Bonds Series 2004 relate to the purchase of a fire truck. The bonds will be repaid in annual payments of \$8,699 which began on December 1, 2005. The fire truck serves as collateral for his debt.

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 the 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 Sewer Operating Fund instead of a separate fund. Also, the bond covenant requires the establishment of a Sanitary Sewer System Mortgage Revenue

Bond and Interest Sinking Fund and a Sanitary Sewer System Surplus Fund, neither of which were created. The Village has contacted United States Department of Agriculture (USDA) Rural Development office to inform them the Village is in the process of creating the necessary funds. The Village made all required debt payments for this issue in 2008.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	OWDA Loan #8065	OWDA Loan #8065S	Fire Truck Bonds	OPWC Loan	Sanitary Sewer Bonds
2011	\$28,621	\$2,315	\$8,699*	\$12,500	\$89,594
2012	57,242	4,630	8,699	25,000	89,565
2013	57,242	4,630	8,699	25,000	89,503
2014	57,242	4,630	8,699	25,000	89,608
2015	57,242	4,630	8,699	25,000	89,571
2016-2020	228,968	23,150	8,699	125,000	447,832
2021-2025		9,260		125,000	447,847
2026-2030				12,500	477,774
2031-2035					447,914
2036-2040					447,818
2041-2045					447,853
2046-2050					179,102
Total	<u>\$486,557</u>	<u>\$53,245</u>	<u>\$43,495</u>	<u>\$375,000</u>	<u>\$3,343,981</u>

*The Village only made annual interest payments on the Fire Truck Bonds in the amount of \$2,285 for 2008, 2009 and 2010 due to a billing problem at the lender agency. This amount does not reflect the amount of principal payments not paid in 2008 (\$6,414), 2009 (\$6,699) and 2010 (\$6,997) but only the scheduled amount due in 2011. The Village paid the principal payments for 2008, 2009 and 2010, according to the original amortization schedule in the amount of \$20,110 on February 11, 2011.

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Village of Pleasant City, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated November 3, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village 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(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-002, 2010-003 and 2010-004 described in the accompanying Schedule of Findings to be material weaknesses.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2010-001, 2010-002, 2010-003 and 2010-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 3, 2011.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

November 3, 2011

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

At December 31, 2010, expenditures exceeded appropriations at the legal level of controls as follows:

Account Code	Approved Appropriations	Actual Expenditures	Variance
1000-725-122-0000	\$0	\$2,400	(\$2,400)
5101-514-311-0000	0	4,267	(4,267)
5101-850-710-0000	0	30,000	(30,000)
5201-910-910-0000	0	89,590	(89,590)
5741-850-710-0000	0	19,300	(19,300)

This could result in the Village spending more money than is available to spend. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

We recommend the Village Council and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2010-02

Noncompliance Citation and Material Weakness

The Village entered into an agreement with the United States Department of Agriculture (USDA) and Ohio Water Development Authority (OWDA) for sanitary sewer system construction. The Village issued Mortgage Revenue Bonds in the amount of \$1,704,000 that were purchased by the USDA. The Village passed Ordinance 07-3-13 on March 13, 2007. The Ordinance and the bond transmittal outlines the following funds be created by the Village and maintained as long as the Bonds remain unpaid:

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2010-02 Continued

Noncompliance Citation and Material Weakness - Ordinance 07-3-13 (Continued)

- Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund.
Monthly, commencing with the first day of calendar month following the initial delivery of the Series 2007 bonds, there shall be transferred from the Sanitary Sewer Revenue Fund, and deposited in the Sanitary Sewer Mortgage Revenue Bond and Interest Sinking Fund (the "Sinking Fund"), which such fund is hereby established for , and pledged to, the payment of principal and interest on the Bonds, a sum equal to at least one-twelfth (1/12) (or such larger amount as is necessary) of the amount of interest due on the next ensuing interest payment date with respect to all Bonds outstanding plus the amount necessary to provide for payment of the next ensuing principal maturity of all Bonds outstanding. If for any reason there is a failure to make such monthly deposit, than an amount equal to the deficiency shall be set aside and deposited in the Sinking Fund from the net revenues of the Sanitary Sewer Revenue Fund. All moneys and investments in the Sinking Fund shall be used only for the payment of the principal of and interest on the Bonds when due. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying principal and interest falling due, and the Sanitary Sewer System Reserve Fund has met its requirement, the excess may be placed into the Sanitary Sewer System Surplus Fund.
- Sanitary Sewer System Reserve Fund.
Monthly, commencing with the first day of the calendar month following the initial delivery of the Series 2007 Bonds, there shall be set aside and deposited in the Sanitary Sewer System Reserve Fund (the "Reserve Fund"), which such fund is hereby established in the custody of the Village, the sum of \$746.93 (or such lesser amount as may be acceptable to the Department of Agriculture) until there is accumulated in such fund the sum of \$89,631 (or such lesser amount as may be acceptable to the Department of Agriculture) ("minimum reserve"), after which no further deposits need be made into such fund except to replace withdrawals. With the approval of the Department of Agriculture, the minimum reserve shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the System which may be caused by an unforeseen catastrophe, and when necessary for the purpose of making payments of principal and interest on the Bonds hereby authorized if the amount in the Sinking Fund is not sufficient to meet such payments. Whenever disbursements are made from such fund, monthly payments shall be resumed until there is again accumulated in such fund an amount equal to the Minimum Reserve, at which time payments may be again discontinued.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2010-02 Continued

Noncompliance Citation and Material Weakness - Ordinance 07-3-13 (Continued)

- Sanitary Sewer System Surplus Fund.

Monthly, commencing with the first day of the calendar month following the initial delivery of the Series 2007 bonds, any moneys remaining in the Sanitary Sewer System Revenue Fund after reserving therein an adequate amount as working capital for the System, shall be transferred to the Sanitary Sewer System Surplus Fund (the "Surplus Fund"), hereby created in the custody of the Village, and shall be used to pay the principal and interest on the Bonds to the extent moneys in the Sinking Fund and the Reserve Fund are insufficient, and otherwise may be used for making extensions or improvements to the System, redeeming outstanding Bonds, redeeming outstanding Bonds prior to maturity, paying other obligations issued or loans incurred to finance improvements to the System, and any other use of the revenues of the System authorized by law.

The Village created the three funds required by the bond covenant. The Sanitary Sewer System Mortgage Revenue Reserve Fund has met the debt covenant of accumulating \$89,631. The Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund was created, but no revenues were allocated to this Fund monthly as outlined in the Ordinance. Also, the Village created the Sanitary Sewer System Mortgage Revenue Bond Surplus Fund but no money in excess of working capital was deposited in this Fund.

The Village transferred money from the Sewer Operating Fund to the Sanitary Sewer System Reserve Fund and paid the debt payments from this Fund in 2010. Additionally, the debt was paid from the Sewer Operating Fund in 2009 instead of placing monies into the Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund monthly to retire the debt.

The Fiscal Officer adjusted the accounting records and the accompanying financial statements to reflect the debt activity within the funds as requested by the debt covenant.

We recommend the Village allocate monthly sanitary sewer revenues from the Sanitary Sewer System Mortgage Revenue Fund as follows: (1) paying all operating expenses; (2) monthly allocation to the Sinking Fund; (3) monthly allocation to Reserve Fund until minimum reserve is met; and (4) any excess to Surplus Fund.

FINDING NUMBER 2010-03

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 733.28 provides, in part, that the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended.

Pursuant to Admin. Code Section 117-2-09(A), all local public offices must 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING NUMBER 2010-03

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 733.28 (Continued)

The Village had no control procedure to ensure the accuracy of revenue and expenditure line account and fund postings. Throughout the audit period, numerous receipts and expenditures were not posted into accurate line item account classifications based on the source of the receipt or purpose of the expenditure. For the audit period, five reclassifications, in the amount of \$18,145, in the General Fund, fifteen reclassifications, in the amount of \$15,160 in the Special Revenue Funds and seven reclassifications, in the amount of \$220,257 in the Enterprise Funds, were not posted to accurate line item account classifications within the funds based on the source of the receipt or purpose of the expenditure. As a result, reclassification entries were drafted. The Fiscal Officer made the significant adjustments to the accompanying financial statements and Village accounting system, if applicable.

FINDING NUMBER 2010-04

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 balances 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:

Year	Fund	Final Amended Certificate Amount	Amounts posted to the Accounting System	Variance
2010	General	\$43,047	\$45,536	(\$2,489)
	Street Maintenance & Repair	24,393	30,379	(5,886)
	Fire	17,914	25,663	(7,749)
	Issue II	3,769	0	3,769
	Water Operating	125,000	122,634	2,366
	Sewer Operating	143,000	150,969	(7,969)
	Enterprise Debt Service	70,000	90,000	(20,000)
	Enterprise Debt Service Reserve	0	89,590	(89,590)

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-04 (Continued)

Material Weakness (Continued)

Year	Fund	Final Amended Certificate Amount	Amounts posted to the Accounting System	Variance
2009	General	\$48,370	\$44,241	\$4,129
	Street Maintenance & Repair	24,905	30,589	(5,684)
	Fire	18,038	16,990	1,048
	Issue II	3,769	0	3,769
	Sewer operating	140,000	149,690	(9,690)
	Enterprise Deposit	5,000	2,321	2,679

Appropriations, 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 annual resolution as approved by the Village Council. The variances noted were:

Year	Fund	Appropriation Resolution	Amounts Posted to the Accounting System	Variance
2010	General	\$59,650	\$80,225	(\$20,575)
	Street Maintenance & Repair	46,750	58,636	(11,886)
	Permissive MVL	8,118	0	8,118
	Fire	37,921	50,921	(13,000)
	Police	10,150	6,100	4,050
	Issue II	3,768	0	3,768
	Water operating	133,890	142,950	(9,060)
	Sewer operating	553,400	225,400	328,000
	Enterprise Debt Service	70,267	10,000	60,267
	Enterprise Debt Service Reserve	91,662	179,590	(87,928)

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-04 (Continued)

Material Weakness (Continued)

Year	Fund	Appropriation Resolution	Amounts posted to the Accounting System	Variance
2009	General	69,485	83,860	(14,375)
	Street Maintenance & Repair	38,205	43,324	(5,119)
	Fire	38,800	49,750	(10,950)
	Issue II	3,769	0	3,769
	Water operating	129,200	169,182	(39,982)
	Sewer operating	553,700	437,650	116,050
	Enterprise Debt Service Reserve	91,662	90,000	1,662
	Enterprise Deposit	22,600	20,000	2,600

We recommend the Fiscal Officer post only those estimated revenues and appropriations to the computer system which have been approved by the County Budget Commission and/or the Village Council. We recommend the Village Council approve supplemental appropriations and certify them to the County Auditor. Any supplemental appropriations approved by the Village Council should be documented in the official minute record. The Fiscal Officer adjusted the notes to reflect the changes.

FINDING NUMBER 2010-05

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2010-05 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

1. **“Then and Now” certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare so-called “blanket” certificates against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority.

3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to purchase commitment for fifteen percent (15%) of the expenditures tested in 2010 and twenty six percent (26%) of the expenditures tested in 2009, and there was no evidence the Village followed the aforementioned exceptions. In addition, the Village used “then and now” certificates for ninety-five percent (95%) of expenditures tested in 2010 and seventy four percent (75%) of expenditures tested in 2009 with no approval of those in excess of \$3,000 documented in the minutes. “Then and now” certificates are to be used when prior certification is not possible and not as a normal method of encumbering.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2010-05 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the Village certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. We also recommend the Village establish a threshold for blanket certificates that may not be exceeded if they wish to begin issuing regular blanket certificates. In addition, we also recommend the Fiscal Officer prepare super blanket certificates and "then and now" certificates under the guidelines noted above.

Officials' Responses: The Village did not respond to the above findings.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Rev. Code Section 5705.41 (D) for not obtaining prior certification.	No	Not Corrected: Reissued as Finding 2010-005
2008-002	Ohio Rev. Code Section 733.28 and Ohio Adm. Code Section 117-2-02 (A).	No	Not Corrected: Reissued as Finding 2010-003
2008-003	Village did not create enterprise funds as required by debt covenant.	No	Partially Corrected: Reissued as Finding 2010-002
2008-004	Recommendation for performing bank reconciliations on a timely basis and ensuring validity of any reconciling items.	Yes	

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Dave Yost • Auditor of State

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
NOVEMBER 29, 2011