



Dave Yost • Auditor of State



VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 and related notes of the Village of Pleasant City, Guernsey County, Ohio (the Government), as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 Government'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 Government'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 opinion.

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

As described in Note 1 of the financial statements, the Government 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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 Government as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Pleasant City, Guernsey County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements 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 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1F to the financial statements, the Village of Pleasant City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2013, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Government's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 31, 2013

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$13,326	\$18,940	\$32,266
Intergovernmental	16,073	33,888	49,961
Special Assessments		336	336
Charges for Services	50	29,000	29,050
Fines, Licenses and Permits	7,100		7,100
Earnings on Investments	4,318	51	4,369
<i>Total Cash Receipts</i>	<u>40,867</u>	<u>82,215</u>	<u>123,082</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	10,138	17,911	28,049
Public Health Services	1,000		1,000
Basic Utility Services	1,938		1,938
Transportation	1,640	24,696	26,336
General Government	36,181	342	36,523
Debt Service:			
Principal Retirement		7,634	7,634
Interest and Fiscal Charges		976	976
<i>Total Cash Disbursements</i>	<u>50,897</u>	<u>51,559</u>	<u>102,456</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(10,030)</u>	<u>30,656</u>	<u>20,626</u>
<i>Fund Cash Balances, January 1</i>	<u>29,825</u>	<u>82,210</u>	<u>112,035</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		112,866	112,866
Unassigned (Deficit)	19,795		19,795
<i>Fund Cash Balances, December 31</i>	<u><u>\$19,795</u></u>	<u><u>\$112,866</u></u>	<u><u>\$132,661</u></u>

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

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$267,955
<i>Total Operating Cash Receipts</i>	267,955
<b>Operating Cash Disbursements</b>	
Personal Services	58,259
Employee Fringe Benefits	4,837
Contractual Services	39,481
Supplies and Materials	15,366
Other	213
<i>Total Operating Cash Disbursements</i>	118,156
<i>Operating Income</i>	149,799
<b>Non-Operating (Disbursements)</b>	
Capital Outlay	(9,711)
Principal Retirement	(87,533)
Interest and Other Fiscal Charges	(89,537)
<i>Total Non-Operating (Disbursements)</i>	(186,781)
<i>(Loss) before Transfers</i>	(36,982)
Transfers In	89,565
Transfers Out	(89,565)
<i>Net Change in Fund Cash Balances</i>	(36,982)
<i>Fund Cash Balances, January 1</i>	490,885
<i>Fund Cash Balances, December 31</i>	\$453,903

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

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$14,206	\$18,502	\$32,708
Intergovernmental	19,885	24,595	44,480
Charges for Services	66	6,000	6,066
Fines, Licenses and Permits	7,105		7,105
Earnings on Investments	4,385	172	4,557
Miscellaneous		500	500
<i>Total Cash Receipts</i>	<u>45,647</u>	<u>49,769</u>	<u>95,416</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	8,208	7,783	15,991
Public Health Services	1,413		1,413
Basic Utility Services	1,210		1,210
Transportation	1,290	20,668	21,958
General Government	33,012	370	33,382
Debt Service:			
Principal Retirement		27,418	27,418
Interest and Fiscal Charges		1,564	1,564
<i>Total Cash Disbursements</i>	<u>45,133</u>	<u>57,803</u>	<u>102,936</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>514</u>	<u>(8,034)</u>	<u>(7,520)</u>
<i>Fund Cash Balances, January 1</i>	<u>29,311</u>	<u>90,244</u>	<u>119,555</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		82,210	82,210
Unassigned (Deficit)	29,825		29,825
<i>Fund Cash Balances, December 31</i>	<u>\$29,825</u>	<u>\$82,210</u>	<u>\$112,035</u>

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

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$268,127
<i>Total Operating Cash Receipts</i>	268,127
<b>Operating Cash Disbursements</b>	
Personal Services	54,175
Employee Fringe Benefits	729
Contractual Services	33,609
Supplies and Materials	18,764
Other	4,283
<i>Total Operating Cash Disbursements</i>	111,560
<i>Operating Income</i>	156,567
<b>Non-Operating Receipts</b>	
Capital Outlay	(7,798)
Principal Retirement	(80,600)
Interest and Other Fiscal Charges	(95,866)
<i>Total Non-Operating (Disbursements)</i>	(184,264)
<i>(Loss) before Transfers</i>	(27,697)
Transfers In	89,594
Transfers Out	(89,594)
<i>Net Change in Fund Cash Balances</i>	(27,697)
<i>Fund Cash Balances, January 1</i>	518,582
<i>Fund Cash Balances, December 31</i>	\$490,885

*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, 2012 AND 2011**

**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 deposits at cost.

**D. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified 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 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, 2012 AND 2011  
(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 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.

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 2012 and 2011 budgetary activity appears in Note 3.

VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. 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:

1. **Nonspendable**

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

2. **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.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the 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.

4. **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 the 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 resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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 (committed, assigned, and 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 classifications could be used.

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. 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:

	2012	2011
Demand deposits	\$494,902	\$511,258
Certificates of deposit	91,662	91,662
Total deposits	\$586,564	\$602,920

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011, follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,187	\$40,867	\$1,680
Special Revenue	91,788	82,215	(9,573)
Enterprise	271,767	357,520	85,753
Total	\$402,742	\$480,602	\$77,860

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,469	\$50,897	\$6,572
Special Revenue	134,996	51,559	83,437
Enterprise	670,982	394,502	276,480
Total	\$863,447	\$496,958	\$366,489

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,709	\$45,647	(\$5,062)
Special Revenue	61,372	49,769	(11,603)
Enterprise	445,166	357,721	(87,445)
Total	\$557,247	\$453,137	(\$104,110)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,170	\$45,133	\$23,037
Special Revenue	145,057	57,803	87,254
Enterprise	963,580	385,418	578,162
Total	\$1,176,807	\$488,354	\$688,453

**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, 2012 AND 2011  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2012, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #8065	\$219,072	6.12%
Ohio Water Development Authority Loan #8065S	33,165	5.76%
Ohio Public Works Commission - CT36B	325,000	0%
Fire Truck Bonds, Series 2004	16,302	4.45%
Sanitary Sewer Revenue Bonds, Series 2007	1,643,700	4.12%
Total	<u>\$2,237,239</u>	

Ohio Water Development Authority (OWDA) loans (#8065 and #8065S) relates 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 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 this 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 Sanitary Sewer System Reserve 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, both of which were created.

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(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
2013	\$28,621	\$2,315	\$8,699	\$12,500	\$89,503
2014	57,242	4,630	8,699	25,000	89,608
2015	57,242	4,630		25,000	89,571
2016	57,242	4,630		25,000	89,498
2017	28,621	4,630		25,000	89,587
2018-2022		23,150		125,000	447,896
2023-2027				87,500	447,798
2027-2032					447,849
2033-2037					447,814
2038-2042					447,906
2043-2047					447,794
Total	<u>\$228,968</u>	<u>\$43,985</u>	<u>\$17,398</u>	<u>\$325,000</u>	<u>\$3,134,824</u>

**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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

**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 AUDITOR'S 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 generally 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, Ohio (the Government), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2013 wherein we noted the Government has adopted Governmental Accounting Standards Board Statement No. 54 and we also noted the Government followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding 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 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. We consider findings 2012-02 and 2012-03 described in the accompanying Schedule of Findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Government'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 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 2012-01 and 2012-02.

***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 Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 31, 2013

VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-01

**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.

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 Village 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 59% of the expenditures tested in 2012 and 10% of the expenditures tested in 2011 and there was no evidence the Village followed the aforementioned exceptions.

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-01 (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.

**FINDING NUMBER 2012-02**

**Noncompliance Citation and Material Weakness**

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

Throughout the 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, three reclassifications, in the amount of \$345, for the General Fund, ten reclassifications, in the amount of \$40,031 for Special Revenue Funds and six reclassifications, in the amount of \$155,900 for Enterprise Funds, were not posted into 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 significant adjustments, to which management agrees, 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 receipt and expenditure account classifications based on the source of the receipt or purpose of the expenditure. Someone independent of the Fiscal Officer, preferably a member of Village Council, should periodically review postings to the accounting system for accuracy.

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-03**

**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	Amount Posted to the Accounting System	Variance
2012	General	\$39,187	\$0	\$39,187
	Street Maintenance & Repair	21,999	0	21,999
	State Highway	1,295	0	1,295
	Permissive MVL	900	0	900
	Fire	59,348	5,500	53,848
	Police	4,107	0	4,107
	Issue II	4,139	0	4,139
	Water Operating	120,000	0	120,000
	Sewer Operating	150,000	0	150,000
	Enterprise Debt Service	267	90,000	(89,733)
	Enterprise Debt Service Reserve	0	90,000	(90,000)
	Enterprise Deposit	1,500	0	1,500
2011	General	50,709	0	50,709
	Street Maintenance & Repair	25,726	0	25,726
	State Highway	1,325	0	1,325
	Park	200	0	200
	Permissive MVL	900	0	900
	Fire	23,881	0	23,881
	Police	4,105	0	4,105
	Issue II	5,235	0	5,235
	Water Operating	125,166	0	125,166
	Sewer Operating	161,500	0	161,500
	Enterprise Debt Service	65,000	89,594	(24,594)
	Enterprise Deposit	3,500	0	3,500

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-03 (Continued)**

**Material Weakness (Continued)**

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 appropriation resolution as approved by the Village Council. The variances noted were:

Year	Fund	Amount per Appropriation Resolution	Amount Posted to the Accounting System	Variance
2012	General	\$57,469	\$55,869	\$1,600
	Street Maintenance & Repair	79,190	70,500	8,690
	State Highway	10,410	0	10,410
	Permissive MVL	900	0	900
	Fire	21,568	34,081	(12,513)
	Police	18,789	1,000	17,789
	Issue II	4,139	0	4,139
	Water Operating	137,580	152,000	(14,420)
	Sewer Operating	515,269	379,738	135,531
	Enterprise Debt Service	534	90,000	(89,466)
	Enterprise Deposit	17,599	17,000	599
2011	General	\$68,170	\$71,200	(\$3,030)
	Street Maintenance & Repair	71,866	65,500	6,366
	State Highway	9,289	7,750	1,539
	Permissive MVL	900	0	900
	Fire	43,148	46,250	(3,102)
	Police	14,420	4,000	10,420
	Park	200	0	200
	Issue II	5,234	0	5,234
	Water Operating	143,590	174,640	(31,050)
	Sewer Operating	554,407	352,400	202,007
	Enterprise Debt Service	91,929	89,594	2,335
	Enterprise Debt Service Reserve	155,000	179,188	(24,188)

The budgetary activity in Note 3 to the financial statements was adjusted to reflect the County Auditor certified estimated receipt amounts and Council approved appropriation amounts.

VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)

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

FINDING NUMBER 2012-03 (Continued)

**Material Weakness (Continued)**

We recommend the Fiscal Officer post only those estimated receipts and appropriations to the computer system which have been approved by 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. Someone independent of the Fiscal Officer, preferably a member of Village Council, should also periodically review budgetary postings to the accounting system for accuracy.

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

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	Ohio Rev. Code 5705.41(B) for expenditures exceeding appropriations at the legal level of control.	Yes	N/A.
2010-02	Allocating revenue and paying debt from the proper sewer funds.	Yes	N/A.
2010-03	Ohio Rev. Code Section 733.28 and Ohio Admin. Code Section 117-2-02(A), not posting receipts and expenditures in the proper account classifications.	No	Not Corrected; Reissued as Finding 2012-02.
2010-04	Not posting approved budgeted receipts and appropriations correctly to the UAN system.	No	Not Corrected; Reissued as Finding 2012-03.
2010-05	Ohio Rev. Code Section 5705.41(D) for not obtaining prior certification of available funds prior to incurring an obligation.	No	Not Corrected; Reissued as Finding 2012-01.



# 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  
JULY 9, 2013**