

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2013 - DECEMBER 31, 2014**

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





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Pleasant City, Guernsey County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 11, 2015

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**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY  
JANUARY 1, 2013 - DECEMBER 31, 2014**

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

**INDEPENDENT AUDITORS' REPORT**

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

To the Village Council:

**Report on the Financial Statements**

We have audited the accompanying financial statements and related notes of the Village of Pleasant City, Guernsey County, as of and for the years ended December 31, 2014 and 2013.

**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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonable determinable, we presume they are material.

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Pleasant City, Guernsey County as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Pleasant City, Guernsey County as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 13, 2015, on our consideration of the Village of Pleasant City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
July 13, 2015

**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, 2014**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property Tax and Other Local Taxes	\$ 16,765	\$ 18,302	\$ 35,067
Intergovernmental Receipts	10,029	12,184	22,213
Special Assessments	-	3,225	3,225
Charges for Services		14,000	14,000
Fines, Licenses, and Permits	7,893	-	7,893
Earnings on Investments	4,291	-	4,291
Miscellaneous	-	10,000	10,000
	<u>38,978</u>	<u>57,711</u>	<u>96,689</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	8,143	21,389	29,532
Public Health Services	1,558		1,558
Basic Utility Services	1,278	9,023	10,301
Transportation	1,060	43,711	44,771
General Government	18,736	51	18,787
	<u>30,775</u>	<u>74,174</u>	<u>104,949</u>
<b>Total Cash Disbursements</b>			
<b>Net Change in Fund Cash Balance</b>	8,203	(16,463)	(8,260)
<b>Fund Cash Balances, January 1, 2014</b>	<u>9,995</u>	<u>97,528</u>	<u>107,523</u>
<b>Fund Cash Balances, December 31, 2014</b>			
Restricted	-	81,065	81,065
Unassigned (Deficit)	18,198	-	18,198
<b>Fund Cash Balances, December 31, 2014</b>	<u>\$ 18,198</u>	<u>\$ 81,065</u>	<u>\$ 99,263</u>

See notes to financial statements.



VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>Proprietary</b>
	<b>Enterprise Fund</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 301,244
<b>Total Operating Cash Receipts</b>	<b>301,244</b>
<b>Operating Cash Disbursements:</b>	
Personal Services	50,223
Fringe Benefits	5,954
Contractual Services	71,385
Supplies and Materials	22,568
Other	4,580
<b>Total Operating Cash Disbursements</b>	<b>154,710</b>
Operating Income/(Loss)	146,534
<b>Non-Operating Cash Receipts (Disbursements):</b>	
Capital Outlay	(7,620)
Redemption of Principal	(105,245)
Interest and Other Fiscal Charges	(68,474)
<b>Total Non-Operating Cash Receipts (Disbursements)</b>	<b>(181,339)</b>
<b>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</b>	<b>(34,805)</b>
Transfers In	89,607
Transfers Out	(89,607)
<b>Net Change in Fund Cash Balance</b>	<b>(34,805)</b>
<b>Fund Cash Balances, January 1</b>	<b>407,294</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 372,489</b>

See notes to financial statements.

**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, 2013**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property Tax and Other Local Taxes	\$ 15,257	\$ 19,897	\$ 35,154
Intergovernmental Receipts	14,290	22,262	36,552
Charges for Services		14,000	14,000
Fines, Licenses, and Permits	7,533	-	7,533
Earnings on Investments	4,291	3	4,294
<b>Total Cash Receipts</b>	<u>41,371</u>	<u>56,162</u>	<u>97,533</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	8,215	3,827	12,042
Public Health Services	4,615		4,615
Basic Utility Services	3,141	12,910	16,051
Transportation	1,000	53,715	54,715
General Government	34,200	1,048	35,248
<b>Total Cash Disbursements</b>	<u>51,171</u>	<u>71,500</u>	<u>122,671</u>
<b>Net Change in Fund Cash Balance</b>	(9,800)	(15,338)	(25,138)
<b>Fund Cash Balances, January 1, 2013</b>	<u>19,795</u>	<u>112,866</u>	<u>132,661</u>
<b>Fund Cash Balances, December 31, 2013</b>			
Restricted	-	97,528	97,528
Unassigned (Deficit)	9,995	-	9,995
<b>Fund Cash Balances, December 31, 2013</b>	<u>\$ 9,995</u>	<u>\$ 97,528</u>	<u>\$ 107,523</u>

See notes to financial statements.

VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Proprietary</b>
	<b>Enterprise Fund</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 276,514
<b>Total Operating Cash Receipts</b>	276,514
<b>Operating Cash Disbursements:</b>	
Personal Services	53,796
Fringe Benefits	4,491
Contractual Services	54,066
Supplies and Materials	25,948
Other	4,393
<b>Total Operating Cash Disbursements</b>	142,694
Operating Income/(Loss)	133,820
<b>Non-Operating Cash Receipts (Disbursements):</b>	
Capital Outlay	(4,054)
Redemption of Principal	(101,406)
Interest and Other Fiscal Charges	(74,969)
<b>Total Non-Operating Cash Receipts (Disbursements)</b>	(180,429)
<b>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</b>	(46,609)
Transfers In	89,586
Transfers Out	(89,586)
<b>Net Change in Fund Cash Balance</b>	(46,609)
<b>Fund Cash Balances, January 1</b>	453,903
<b>Fund Cash Balances, December 31</b>	\$ 407,294

See notes to financial statements.

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

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

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

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

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchase or receipts for investment sales. This basis records gain or losses at the time of sale as receipts or disbursements.

**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:

**Governmental Funds**

**General Fund**

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

**Special Revenue Funds**

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

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

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Enterprise Funds**

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

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

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

**Sanitary Sewer System Mortgage Revenue Bond & 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 (except certain Agency Funds) be budgeted annually.

**Appropriations**

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

**Estimated Resources**

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

**Encumbrances**

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**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:

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

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

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

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

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

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2014	2013
Demand Deposits	\$ 380,090	\$ 423,155
Certificates of Deposit	91,662	91,662
Total deposits	\$ 471,752	\$ 514,817

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2014 and 2013 is as follows:

**2014 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,087	\$ 38,978	\$ (7,109)
Special Revenue	67,709	57,711	(9,998)
Enterprise	270,000	390,851	120,851
Total	\$ 383,796	\$ 487,540	\$ 103,744

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 41,076	\$ 30,775	10,301
Special Revenue	139,804	74,174	65,630
Enterprise	856,363	425,656	430,707
Total	\$ 1,037,243	\$ 530,605	\$ 506,638

**2013 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,883	\$ 41,371	\$ 5,488
Special Revenue	37,846	56,162	18,316
Enterprise	361,815	366,100	4,285
Total	\$ 435,544	\$ 463,633	\$ 28,089

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 55,678	\$ 51,171	\$ 4,507
Special Revenue	145,101	71,500	73,601
Enterprise	724,053	412,709	311,344
Total	\$ 924,832	\$ 535,380	\$ 389,452

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to ORC 5705.41(D), the Village had fiscal certificates dated after invoice date.

**4. PROPERTY TAX**

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

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

**5. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	2014 Principal	%
OWDA #2083 Water plant expansion	\$ 128,720	6.12
OWDA #2084 Water plant expansion	27,569	5.76
OPWC #CT36B Wastewater plant	275,000	0.00
Sanitary Sewer Revenue Bonds	1,599,300	4.12
Total	<u>\$ 2,030,589</u>	

Ohio Water Development Authority (OWDA) loans (#2083 and #2084) 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 #CT36B relates to construction of a wastewater treatment plant that was mandated by the Ohio Environmental Protection Agency. The OPWC has approved up to \$500,000 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$12,500 over 20 years. As of December 31, 2006, the Village has received \$500,000 from OPWC. Repayment of this debt began once the project was completed, which occurred during 2006. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.



**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**5. DEBT (Continued)**

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

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

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

Year	OWDA #2083	OWDA #2084	OPWC #CT36B	Sanitary Sewer Bonds
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	-	4,630	25,000	89,631
2019	-	4,630	25,000	89,530
2020-2024	-	11,576	125,000	447,815
2025-2029	-	-	25,000	447,894
2030-2034	-	-	-	447,804
2035-2039	-	-	-	447,881
2040-2044	-	-	-	447,769
2045-2049	-	-	-	268,731
Total	<u>\$ 143,105</u>	<u>\$ 34,726</u>	<u>\$ 275,000</u>	<u>\$ 2,955,711</u>

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10.00% of their gross wages and the Village contributed an amount equal to 14.00% of participant’s gross salaries. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**7. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Village has obtained commercial insurance for the following risks:

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

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

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

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

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Pleasant City, Guernsey County as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 13, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2014-02, 2014-3, 2014-04 and 2014-05 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village of Pleasant City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2014-01, 2014-02, and 2014-04.

***Entity's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
July 13, 2015

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-01**

**Noncompliance – Certification of Funds**

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure 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.

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.

- 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 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts 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 the expenditures by the Village.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-01 (Continued)**

The Village did not certify the availability of funds prior to the purchase commitment for 15% of expenditures tested. For these item the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: We received no response from client.

**FINDING NUMBER 2014-02**

**Noncompliance and Material Weakness**

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

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

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, seven reclassifications, in the amount of \$9,217, for the General Fund, six reclassifications in the amount of \$31,952 for Special Revenue Funds and three reclassifications, in the amount of \$179,194 for Enterprise Funds, were not posted into accurate line item account classifications within 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 receipts and expenditures account classifications based on the source of receipts or the purpose of the expenditure. Someone independent of the Fiscal Officer, preferably a member of Council, should periodically review postings to the accounting system for accuracy. them to the county auditor.

Client Response: We received no response from client.

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-03**

**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 balance of appropriations.

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

Fund	Year	Amount Per Last Amended Certificate	Amounts Posted To Accounting System	Variance
General	2014	\$ 31,081	\$ 46,088	\$ (15,007)
Street Construction	2014	28,284	35,731	(7,447)
Fire Fund	2014	20,416	25,832	(5,416)
Issue II	2014	7,447	-	7,447
Street Construction	2013	24,734	24,719	15
Permissive MVL	2013	1,000	1,015	(15)
Issue II	2013	5,104	-	5,104

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. He variances noted were:

Fund	Year	Amount Per Appropriation Res.	Amounts Posted To Accounting System	Variance
Permissive MVL	2014	\$ 12,568	\$ -	\$ 12,568
Issue II	2014	7,447	-	7,447
Enterprise Debt Service	2014	-	89,853	(89,853)
Permissive MVL	2013	1,000	-	1,000
Issue II	2013	5,104	-	5,104

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

Client Response: We received no response from the client.

**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-04**

**Noncompliance and Material Weakness**

Ohio Administrative Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable 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, several instances of incomplete voucher packages were found when testing disbursements. The voucher package should include a check stub, invoice, and a reference to the purchase order. During testing, there were incomplete packages that caused us to have to perform additional audit procedures to verify the expenditures. We recommend that due care should be taken to ensure completeness of the records related to the disbursement.

Client Response: We received no response from the client.

**FINDING NUMBER 2014-05**

**Material Weakness-Bank Reconciliations**

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash balance each month. Bank reconciliation means accounting for the differences between the balance of the bank statement(s) and the cash and investment balances according to the Village's records.

Starting in April 2013 and going through December 31, 2014, the amount on the bank reconciliation for bank balance did not agree to the actual bank statement. Based on this difference, the December 31, 2014 bank reconciliation had a difference of \$1,532 and the December 31, 2013 bank reconciliation had a difference of \$1,992.

Without complete and accurate monthly bank reconciliations, the Village's internal control is significantly weakened which could hinder management's timely detection of errors or irregularities. The Village should perform complete monthly bank reconciliations in a timely manner. Copies of the monthly bank reconciliations and listing of outstanding checks and other reconciling items should be provided to the Board each month for review. All unreconciled differences should be resolved as quickly as possible so they are not carried forward month to month and all reconciling items should be appropriately documented.

Client Response: We received no response from client.



**VILLAGE OF PLEASANT CITY  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2012-01	Noncompliance ORC 5705.41 (D) for not obtaining prior certification for incurring obligations	No	Repeated as Finding 2014-01
2012-02	ORC 733.28 and OAC 117-2-02(A) not posting receipts and expenditures in the proper account classifications	No	Repeated as Finding 2014-02
2012-03	Not posting approved budgeted receipts and appropriations correctly to the UAN system	No	Repeated as Finding 2014-03

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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  
DECEMBER 24, 2015