



**Auditor of State
Betty Montgomery**

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

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**Auditor of State
Betty Montgomery**

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 a February 2, 2005 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 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 5, 2005

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Auditor of State Betty Montgomery

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 Village of Pleasant City, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. 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(B) and 115.56 mandate 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year 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, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 December 5, 2005, 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.

We conducted our audit to opine on the Village's financial statements. The Federal Awards Expenditures Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the Village's financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the financial statements taken as a whole.



Betty Montgomery
Auditor of State

December 5, 2005

**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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$11,995	\$14,445	\$	\$26,440
Intergovernmental Receipts	36,422	17,031	5,313	58,766
Charges for Services	370	11,713		12,083
Fines, Licenses, and Permits	8,305			8,305
Earnings on Investments	1,570	674		2,244
Miscellaneous	1,203			1,203
	<u>59,865</u>	<u>43,863</u>	<u>5,313</u>	<u>109,041</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	15,285	17,915		33,200
Public Health Services	14,390			14,390
Basic Utility Services	3,079			3,079
Transportation	389	16,772		17,161
General Government	25,654			25,654
Debt Service:				
Principal Payments		7,000		7,000
Interest Payments		371		371
Capital Outlay	863	69,000	5,313	75,176
	<u>59,660</u>	<u>111,058</u>	<u>5,313</u>	<u>176,031</u>
Total Cash Disbursements	<u>59,660</u>	<u>111,058</u>	<u>5,313</u>	<u>176,031</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>205</u>	<u>(67,195)</u>	<u>0</u>	<u>(66,990)</u>
Other Financing Receipts/(Disbursements):				
Sale of Bonds		69,000		69,000
Advances-Out	(7,500)			(7,500)
	<u>(7,500)</u>	<u>69,000</u>	<u>0</u>	<u>61,500</u>
Total Other Financing Receipts/(Disbursements)	<u>(7,500)</u>	<u>69,000</u>	<u>0</u>	<u>61,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,295)	1,805	0	(5,490)
Fund Cash Balances, January 1	41,132	23,698	0	64,830
Fund Cash Balances, December 31	<u>\$33,837</u>	<u>\$25,503</u>	<u>\$0</u>	<u>\$59,340</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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$192,840
Miscellaneous	5,056
	<u>197,896</u>
Operating Cash Disbursements:	
Personal Services	32,252
Fringe Benefits	4,169
Contractual Services	124,840
Supplies and Materials	38,193
Other	13,174
Capital Outlay	4,488,058
	<u>4,700,686</u>
Operating (Loss)	<u>(4,502,790)</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	2,615,021
Proceeds from Bonds	20,000
Ohio Water Development Authority Loan Proceeds	1,724,275
Ohio Public Works Commission Loan Proceeds	21,981
	<u>4,381,277</u>
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	102,326
Interest and Fiscal Charges	64,572
	<u>166,898</u>
Excess of Receipts (Under) Disbursements Before Interfund Advances	(288,411)
Advances-In	<u>7,500</u>
Net Receipts (Under) Disbursements	(280,911)
Fund Cash Balances, January 1	<u>468,659</u>
Fund Cash Balances, December 31	<u>\$187,748</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
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$11,360	\$13,464	\$	\$24,824
Intergovernmental Receipts	19,870	17,425	4,844	42,139
Charges for Services		9,220		9,220
Fines, Licenses, and Permits	7,916			7,916
Earnings on Investments	813	212		1,025
Miscellaneous	1,271	29		1,300
Total Cash Receipts	<u>41,230</u>	<u>40,350</u>	<u>4,844</u>	<u>86,424</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	7,153	13,499		20,652
Public Health Services	95			95
Leisure Time Activities	94			94
Transportation	9,121	16,181		25,302
General Government	37,412			37,412
Debt Service:				
Principal Payments		7,000		7,000
Interest Payments		739	4,844	5,583
Total Cash Disbursements	<u>53,875</u>	<u>37,419</u>	<u>4,844</u>	<u>96,138</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(12,645)</u>	<u>2,931</u>	<u>0</u>	<u>(9,714)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	2,151			2,151
Transfers-Out	(2,500)			(2,500)
Total Other Financing Receipts/(Disbursements)	<u>(349)</u>	<u>0</u>	<u>0</u>	<u>(349)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(12,994)	2,931	0	(10,063)
Fund Cash Balances, January 1	<u>54,126</u>	<u>20,767</u>	<u>0</u>	<u>74,893</u>
Fund Cash Balances, December 31	<u>\$41,132</u>	<u>\$23,698</u>	<u>\$0</u>	<u>\$64,830</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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$188,601
Miscellaneous	2,850
	<u>191,451</u>
Operating Cash Disbursements:	
Personal Services	29,073
Travel Transportation	330
Contractual Services	6,412
Supplies and Materials	46,723
Capital Outlay	50,797
	<u>133,335</u>
Total Operating Cash Disbursements	<u>133,335</u>
Operating Income	<u>58,116</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	300,000
Proceeds from Notes	40,000
Ohio Public Works Commission Loan Proceeds	17,776
	<u>357,776</u>
Total Non-Operating Cash Receipts	<u>357,776</u>
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	32,037
Interest and Fiscal Charges	36,835
	<u>68,872</u>
Total Non-Operating Cash Disbursements	<u>68,872</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	347,020
Transfers-In	2,500
	<u>2,500</u>
Net Receipts Over Disbursements	349,520
Fund Cash Balances, January 1	119,139
	<u>119,139</u>
Fund Cash Balances, December 31	<u>\$468,659</u>

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, 2004 AND 2003**

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, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities and fire protection and emergency services. The Village contracts with the Guernsey County Sheriff's department to provide security of persons and property.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

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

D. **Fund Accounting (Continued)**

2. **Special Revenue Funds (Continued)**

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 and fire protection contract money to be used for support of the Village volunteer fire department.

3. **Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Issue II Fund - This fund receives funding from the Guernsey County Engineer for paving improvements to Village streets.

4. **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. This fund also receives grant and loan proceeds to be used for constructing a wastewater treatment facility.

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 fund, function or object level of control, and appropriations may not exceed estimated resources. 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.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

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 CASH

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$245,426	\$531,827
Certificates of deposit	1,662	1,662
Total deposits	<u>\$247,088</u>	<u>\$533,489</u>

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, 2004 and 2003 follows:

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,396	\$59,865	(\$7,531)
Special Revenue	100,429	112,863	12,434
Capital Projects	5,313	5,313	0
Enterprise	4,414,537	4,586,673	172,136
Total	<u>\$4,587,675</u>	<u>\$4,764,714</u>	<u>\$177,039</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$107,891	\$67,160	\$40,731
Special Revenue	124,015	111,058	12,957
Capital Projects	5,313	5,313	0
Enterprise	5,414,756	4,867,584	547,172
Total	<u>\$5,651,975</u>	<u>\$5,051,115</u>	<u>\$600,860</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,058	\$43,381	(\$6,677)
Special Revenue	38,946	40,350	1,404
Capital Projects	4,844	4,844	0
Enterprise	499,143	551,727	52,584
Total	<u>\$592,991</u>	<u>\$640,302</u>	<u>\$47,311</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,684	\$56,375	\$46,309
Special Revenue	54,651	37,419	17,232
Capital Projects	0	4,844	(4,844)
Enterprise	597,942	202,207	395,735
Total	<u>\$755,277</u>	<u>\$300,845</u>	<u>\$454,432</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Issue II Fund by \$4,844 and the Water Fund by \$44,228 for the year ended December 31, 2003.

Contrary to Ohio law, appropriations exceeded estimated resources in the Sewer Fund by \$554,063 for the year ended December 31, 2004.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2083	\$489,989	6.12%
Ohio Water Development Authority Loan #2084	\$50,216	5.76%
Ohio Water Development Authority Loan #4062	\$1,724,275	1.96%
Ohio Public Works Commission - CT36B	338,436	0.00%
General Obligation Fire Truck Bonds, Series 2004	69,000	4.45%
General Obligation Water Meter Bonds, Series 2004	20,000	3.58%
Total	<u>\$2,691,916</u>	

The Ohio Water Development Authority (OWDA) loans #2083 and #2084 relate to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The Village will repay the loans in semiannual installments of \$28,621 and \$2,315, including interest, over 20 and 24.5 years, respectively. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #4062 is interim financing related to a wastewater treatment facility project mandated by the Ohio Environmental Protection Agency. This loan is a balloon payment loan with a single payoff date of January 1, 2006. As of December 31, 2004, the principal outstanding on the loan was \$1,724,275, including \$1,704,000 in loan proceeds plus an additional \$20,275 in capitalized interest. As of June 30, 2005, an additional amount of \$16,562 in capitalized interest was incurred increasing the loan balance to \$1,740,837. The United States Department of Agriculture Rural Utilities Services has approved a loan which will be used to pay off the outstanding balance of this OWDA loan when construction of the wastewater treatment facility is completed.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

The Ohio Public Works Commission (OPWC) loan relates to the construction of a wastewater treatment facility project 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, 2004, the Village had received \$338,436 from OPWC. Repayment of this debt will begin once the project is completed. The scheduled payment amount below assumes that \$500,000 will be borrowed and repayment will begin in 2005. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The General Obligation Fire Truck Bond was issued for the purpose of purchasing a fire truck for the volunteer fire department. The bond will be repaid in annual installments of \$8,699, including interest, over 10 years. The full faith and credit of the Village has been pledged to secure this bond.

The General Obligation Water Meter Bond was issued for the purpose of purchasing water meters. The bond will be repaid in annual installments of \$4,440, including interest, over five years. The full faith and credit of the Village has been pledged to secure this bond.

The Village's taxing authority collateralizes General Obligation Bonds.

Amortization of the above debt, including interest, follows:

Year Ending December 31:	OWDA Loan #2083	OWDA Loan #2084	OPWC Loan	Fire Truck Bonds, Series 2004	Water Meter Bonds, Series 2004
2005	\$28,621	\$2,315	\$25,000	\$8,699	\$4,440
2006	57,242	4,630	25,000	8,699	4,440
2007	57,242	4,630	25,000	8,699	4,440
2008	57,242	4,630	25,000	8,699	4,439
2009	57,242	4,630	25,000	8,698	4,439
2010-2014	286,209	23,151	125,000	43,493	
2015-2019	171,726	23,151	125,000		
2010-2014		13,890	125,000		
Total	<u>\$715,524</u>	<u>\$81,027</u>	<u>\$500,000</u>	<u>\$86,987</u>	<u>\$22,198</u>

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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.

8. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Program:</i>			
Water and Waste Disposal Systems for Rural Communities - Grant Program		10.760	\$ 1,724,513
Water and Waste Disposal Systems for Rural Communities - Loan Program		10.760	<u>1,704,000</u>
Total U.S. Department of Agriculture			3,428,513
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed-Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program Small Cities Community Development Block Grant (CDBG) Program Water and Sanitary Sewer Competitive Grant Program	C-W-02-320-1	14.228	<u>496,959</u>
Total U.S. Department of Housing and Urban Development			496,959
U.S. ARMY CORP OF ENGINEERS			
<i>Direct Program;</i>			
594 Grant	N/A	N/A	<u>255,191</u>
Total U.S. Army Corp of Engineers			<u>255,191</u>
Total Federal Awards Expenditures			<u>\$ 4,180,663</u>

The accompanying Notes to the Federal Awards Expenditure Schedule are an integral part of this Schedule.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

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 accompanying financial statements of Village of Pleasant City, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 5, 2005, wherein we noted that 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 uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-005 and 2004-006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated December 5, 2005, we reported other matters involving the internal control over financial reporting which we did not deem reportable conditions.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (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 that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-004. In a separate letter to the Village's management dated December 5, 2005, we reported an other matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 5, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Pleasant City, Guernsey County, Ohio (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Village's major federal programs. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the years ended December 31, 2004. In a separate letter to the Village's management dated December 5, 2005, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
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Village of Pleasant City
Guernsey County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 5, 2005.

We intend this report solely for the information and use of management, the Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 5, 2005

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities, CFDA # 10.760; Community Development Block Grants - State's Program, CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides that appropriations from each fund shall not exceed the estimated revenue available for expenditure as certified by the county budget commission.

At December 31, 2004, the following fund had appropriations which exceeded estimated revenue plus unencumbered balances as follows:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Sewer Fund	\$4,720,342	\$5,274,405	(\$554,603)

The practice of allowing appropriations to exceed estimated resources could lead to expenditures being made for which the Village does not have adequate funds, thus leading to negative fund balances.

We recommend the Village Clerk/Treasurer closely monitor appropriations to ensure appropriations from each fund do not exceed the estimated revenue as certified by the County Budget Commission.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The following funds had expenditures exceeding appropriations as of December 31, 2003, due to audit adjustments:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Issue II Fund	\$0	\$4,844	(\$4,844)
Water Fund	99,980	144,208	(44,228)

The failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances.

The Village Clerk should deny payment requests exceeding appropriations. The Village Clerk may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, in necessary.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) 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. 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 Certificates" – 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 \$1,000 (which was increased to \$3,000 on April 7, 2003), 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 not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or 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 on particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of purchase orders and the requirement that purchase orders not extend beyond three months have been removed from the law. Effective September 26, 2003, purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitments for 27% of the expenditures tested in 2004 and 50% of the expenditures tested in 2003. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-003

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

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 Village Clerk/Treasurer 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.

We recommend the Village Clerk/Treasurer certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 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 Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code Section 731.14 states, in part, when any expenditure, other than the compensation of persons employed by the village, exceeds twenty-five thousand dollars, such contracts shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the village.

The Village purchased a fire truck in 2004 with a cost of \$69,000. However, they did not advertise for bids and contract with the lowest and best bidder.

We recommend the Village follow proper bidding procedures as described above for expenditures, other than the compensation of persons employed by the Village, exceeding twenty-five thousand dollars.

FINDING NUMBER 2004-005

Reportable Condition

Receipts and disbursements should be posted to the fund and line item accounts as established by the Ohio Administrative Code Section 117-9-01, Chart of Accounts-Villages.

Intergovernmental revenues; fines, licenses and permits; bond, note and loan proceeds; transfers; and advances were not posted into the correct fund or receipt classification, based on the source of receipt. Bond, note and loan principal and interest payments; capital outlay; and transfers and advances were not posted into the correct fund or appropriation classifications based on the nature of the disbursement. As a result, the 2004 financial statements required 10 significant reclassifications and the 2003 financial statements required 8 significant reclassifications.

We recommend the Village Clerk/Treasurer consult Ohio Administrative Code Section 117-9-01 and UAN Accounting Manual Appendix A, Village Chart of Accounts (Rev 11/04) to ensure receipt and expenditure transactions are posted to the correct fund or receipt and appropriation classifications.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-006

Reportable Condition

Auditor of State Bulletin 2000-008 *Accounting for Cash Basis Local Governments Participating in on-behalf-of Grants or Improvement Projects* requires Villages to record the receipt of on-behalf grants in the Village's ledgers and financial statements.

In 2004, the Guernsey County Commissioners paid \$137,996 to the Village's contractors for the construction of the Village's wastewater treatment plant. Also in 2004, the Village received an Ohio Water Development Authority (OWDA) Loan for the construction of the Village's wastewater treatment plant, of which the loan proceeds were to pay for OWDA fees and capitalized interest in the amount of \$5,943 and \$20,275, respectively, and a portion was to pay the principal on two outstanding OWDA Loans in the amount of \$35,000. The Village did not record memorandum receipts and disbursements for the aforementioned items.

We recommend the Clerk/Treasurer record the cash benefit of the program received under the agreement as memorandum receipts and disbursements in the year on-behalf disbursements are made. When a local government enters into an on-behalf-of program agreement with another local government whereby the local government or its residents are the beneficiaries under the agreement, the cash benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

3. FINDINGS FOR FEDERAL AWARDS

None.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 SECTION .315 (b)
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code Section 5705.41(D)(1) states no orders or contracts are to be made unless there is attached a certificate of the fiscal officer that the amount required to meet the obligation has been appropriated.	No	Not corrected; repeated as Finding #2004-003.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 .315 (c)
DECEMBER 31, 2004 AND 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	Management will review appropriation measures to ensure they do not exceed estimated resources.	December 31, 2005	Karen Sherman, Clerk/Treasurer
2004-002	Management will review expenditures to ensure they do not exceed appropriations.	December 31, 2005	Karen Sherman, Clerk/Treasurer
2004-003	Management will ensure that orders or contracts to be made have attached to them a certificate of the fiscal officer that the amount required to meet the obligation has been appropriated.	December 31, 2005	Karen Sherman, Clerk/Treasurer
2004-004	Management will refer to the Ohio Administrative Code when posting receipts and expenditures to ensure posting to the correct fund and line item account.	December 31, 2005	Karen Sherman, Clerk/Treasurer
2004-005	Management will ensure that grants and/or payments on behalf of the Village will be recorded as memorandum receipts and expenditures on the Village's ledgers.	December 31, 2005	Karen Sherman, Clerk/Treasurer
2004-006	Management will refer to Audit Bulletin 2000-008 when receiving on-behalf-of grants to ensure the on-behalf-of grants are accurately recorded on the Village's ledgers and financial statements.	December 31, 2005	Karen Sherman, Clerk/Treasurer



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**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 30, 2005**