



Mary Taylor, CPA
Auditor of State

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 9, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Pleasant City, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007. 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.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Pleasant City, Guernsey County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 9, 2009

**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, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$13,656	\$14,625	\$28,281
Intergovernmental	21,439	27,699	49,138
Charges for Services	48	12,000	12,048
Fines, Licenses and Permits	6,447		6,447
Earnings on Investments	5,293	1,158	6,451
Miscellaneous	1,479	177	1,656
	<u>48,362</u>	<u>55,659</u>	<u>104,021</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	9,989	6,924	16,913
Public Health Services	857		857
Basic Utility Service	769		769
Transportation	2,004	38,428	40,432
General Government	31,230	243	31,473
Debt Service:			
Redemption of Principal			
Interest and Fiscal Charges		2,287	2,287
Capital Outlay	4,404		4,404
	<u>49,253</u>	<u>47,882</u>	<u>97,135</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(891)</u>	<u>7,777</u>	<u>6,886</u>
Fund Cash Balances, January 1	<u>22,057</u>	<u>32,764</u>	<u>54,821</u>
Fund Cash Balances, December 31	<u>\$21,166</u>	<u>\$40,541</u>	<u>\$61,707</u>

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$282,054
Total Operating Cash Receipts	282,054
Operating Cash Disbursements:	
Personal Services	47,624
Employee Fringe Benefits	5,167
Contractual Services	5,613
Supplies and Materials	48,920
Other	21,096
Total Operating Cash Disbursements	128,420
Operating Income/(Loss)	153,634
Non-Operating Cash Receipts:	
Property and Other Local Taxes	
Intergovernmental	80,090
Miscellaneous	267
Total Non-Operating Cash Receipts	80,357
Non-Operating Cash Disbursements:	
Capital Outlay	30,201
Redemption of Principal	64,024
Interest and Other Fiscal Charges	92,380
Total Non-Operating Cash Disbursements	186,605
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	47,386
Fund Cash Balances, January 1	477,491
Fund Cash Balances, December 31	\$524,877

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, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$14,567	\$15,483	\$30,050
Intergovernmental	21,060	24,512	45,572
Charges for Services		12,000	12,000
Fines, Licenses and Permits	6,545		6,545
Earnings on Investments	3,768	1,500	5,268
Miscellaneous	2,792	91	2,883
	<u>48,732</u>	<u>53,586</u>	<u>102,318</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	9,587	13,040	22,627
Public Health Services	671		671
Basic Utility Service	958		958
Transportation	1,500	36,516	38,016
General Government	32,826	342	33,168
Debt Service:			
Redemption of Principal		6,140	6,140
Interest and Fiscal Charges		2,558	2,558
Capital Outlay	2,340		2,340
	<u>47,882</u>	<u>58,596</u>	<u>106,478</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>850</u>	<u>(5,010)</u>	<u>(4,160)</u>
Fund Cash Balances, January 1	<u>21,207</u>	<u>37,774</u>	<u>58,981</u>
Fund Cash Balances, December 31	<u>\$22,057</u>	<u>\$32,764</u>	<u>\$54,821</u>

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$278,515
Miscellaneous	1,048
	279,563
Operating Cash Disbursements:	
Personal Services	44,417
Employee Fringe Benefits	3,678
Contractual Services	16,660
Supplies and Materials	78,286
Other	45,583
	188,624
Operating Income/(Loss)	90,939
Non-Operating Cash Receipts:	
Intergovernmental	99,837
Sale of Bonds	1,704,000
	1,803,837
Non-Operating Cash Disbursements:	
Capital Outlay	36,777
Redemption of Principal	1,765,631
Interest and Other Fiscal Charges	29,682
	1,832,090
Excess of Receipts Over/(Under) Disbursements	62,686
Fund Cash Balances, January 1	414,805
Fund Cash Balances, December 31	\$477,491

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, 2008 AND 2007**

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 directs the Village. The Village provides general government services, including fire protection, emergency medical services and water and sewer utilities.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

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

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

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

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. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2008 and 2007 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.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	2008	2007
Demand deposits	\$494,922	\$440,650
Certificates of deposit	91,662	91,662
Total deposits	\$586,584	\$532,312

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,987	\$48,362	(\$9,625)
Special Revenue	55,588	55,659	71
Enterprise	405,090	362,411	(42,679)
Total	\$518,665	\$466,432	(\$52,233)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,175	\$49,253	\$22,922
Special Revenue	87,278	47,882	39,396
Enterprise	804,022	315,025	488,997
Total	\$963,475	\$412,160	\$551,315

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,886	\$48,732	\$6,846
Special Revenue	36,711	53,586	16,875
Enterprise	2,151,337	2,083,400	(67,937)
Total	\$2,229,934	\$2,185,718	(\$44,216)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,840	\$47,882	\$8,958
Special Revenue	60,929	58,596	2,333
Enterprise	2,467,052	2,020,714	446,338
Total	\$2,584,821	\$2,127,192	\$457,629

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not obtain the Clerk's prior certification before incurring an obligation.

4. Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Debt

Debt outstanding at December 31, 2008 was as follows:

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Debt (Continued)

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #8065	\$370,547	6.12%
Ohio Water Development Authority Loan #8065S	\$42,642	5.76%
Ohio Public Works Commission - CT36B	\$425,000	0.00%
Fire Truck Bonds, Series 2004	\$51,353	4.45%
Water Meter Bonds, Series 2004	\$4,286	3.58%
Sanitary Sewer Revenue Bonds, Series 2007	1,704,000	4.12%
Total	<u>\$2,597,828</u>	

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

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

The Fire Truck Bonds Series 2004 relate to the purchase of a fire truck. The bonds will be repaid in annual payments of \$8,699 which began on December 1, 2005. The fire truck serves as collateral for his debt.

The Water Meter Bonds Series 2004 relate to the purchase of new water meters. The bonds will be repaid in annual payments which began on August 19, 2005.

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

The Sanitary Sewer Revenue Bonds, Series 2007 bond covenant requires the Village to establish a Sanitary Sewer System Reserve Fund to set-aside \$89,631. The Village has purchased a certificate of deposit in the amount of \$90,000 to cover the "minimum reserve" established in the bond covenant. This amount is reflected in the Sewer Operating Fund instead of a separate fund. Also, the bond covenant requires the establishment of a Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund and a Sanitary Sewer System Surplus Fund, neither of which were created. The Village has contacted United States Department of Agriculture (USDA) Rural Development office to inform them the Village is in the process of creating the necessary funds. The Village made all required debt payments for this issue in 2008.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	OWDA Loan #8065	OWDA Loan #8065S	Fire Truck Bonds	Water Meter Bonds	OPWC Loan	Sanitary Sewer Bonds
2009	\$28,621	\$2,315	\$8,699	\$4,440	\$12,500	\$70,290
2010	57,242	4,630	\$8,699		25,000	89,590
2011	57,242	4,630	\$8,699		25,000	89,594
2012	57,242	4,630	\$8,699		25,000	89,565
2013	57,242	4,630	\$8,699		25,000	89,503
2014-2018	228,968	23,150	\$8,699		125,000	447,894
2019-2023		23,150			125,000	447,827
2024-2028					62,500	447,797
2029-2033						447,810
2034-2038						447,874
2039-2043						447,812
2044-2047						358,305
Total	<u>\$486,557</u>	<u>\$67,135</u>	<u>\$52,194</u>	<u>\$4,440</u>	<u>\$425,000</u>	<u>\$3,473,861</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

Some Village officials chose not to belong to OPERS and instead contributed to Social Security. For 2008 and 2007, these officials contributed 6.2 percent of their wages. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Error and omissions



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Pleasant City, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated December 9, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider Findings 2008-002, 2008-003 and 2008-004 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe all of the significant deficiencies described above are material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated December 9, 2009.

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 2008-001 and 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 9, 2009.

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



Mary Taylor, CPA
Auditor of State

December 9, 2009

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation

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

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

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

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

Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 100% of 2007 and 2008 tested disbursements, and there was no evidence that the Village followed the aforementioned exceptions. The fiscal officer's failure to properly certify the availability of funds could result in overspending.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-001 (Continued)

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 that the Village Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

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 certification language. Section 5705.41(D) requires to authorize disbursements. The Village 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 Village Fiscal Officer should post approved purchase orders to the appropriation code, to reduce the available appropriation.

FINDING NUMBER 2008-002

Noncompliance Citation and Material Weakness

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

Ohio Adm. 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village had no control procedure to ensure the accuracy of revenue and expenditure line account and fund postings. Throughout the audit period, numerous receipts and expenditures in the amount of \$19,297 for the General Fund, in the amount of \$20,426 for Special Revenue Funds and in the amount of \$3,631,349 for Enterprise Funds, were not posted into accurate line item account classifications within the funds based on the source of the receipt or purpose of the expenditure. As a result, thirty-six reclassification and adjustment entries were drafted. The Clerk/Treasurer made the significant adjustments to the accompanying financial statements and Village accounting system, if applicable.

We recommend the Clerk/Treasurer review guidance within the Uniform Accounting Network Accounting Manual under Village Chart of Accounts and/or Ohio Administrative Code 117-9-01. This guidance will allow the Clerk/Treasurer to make proper postings to revenue and expenditure account classifications based on the source of the revenue or purpose of the expenditure. Someone independent of the Clerk/Treasurer, preferably a member of Village Council, should periodically review postings to the accounting system for accuracy.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)

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

FINDING NUMBER 2008-003

Material Weakness

The Village entered into an agreement with the United States Department of Agriculture (USDA) and Ohio Water Development Authority (OWDA) for sanitary sewer system construction. OWDA would provide a interim loan in the amount of \$1,704,000 and upon completion of sanitary sewer system construction, the Village would issue Mortgage Revenue Bonds in the amount of \$1,704,000 to be purchased by the USDA and the bond proceeds would be used to pay-off the interim loan with OWDA. The Village passed Ordinance 07-3-13 on March 13, 2007. The Ordinance and Bond transmittal outlines the following funds be created by the Village and maintained as long as the Bonds remain unpaid:

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

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)

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

FINDING NUMBER 2008-003 (Continued)

Material Weakness (Continued)

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

As part of the Sanitary Sewer System Mortgage Revenue Bonds, Series 2007 debt covenants, the Village did not create the Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund, nor were Sanitary Sewer System Mortgage Revenue revenues allocated to this fund monthly as outlined in the bond transmittal. Also, the Village did not create the Sanitary Sewer System Mortgage Revenue Bond Surplus Fund. Lastly, the Village did not create the Sanitary Sewer System Mortgage Revenue Reserve Fund, nor were Sanitary Sewer System Mortgage Revenue revenues allocated in the monthly amount of \$746.93 to this fund. On June 5, 2007, the Village did purchase a \$90,000 certificate of deposit from National City Bank using the Sanitary Sewer System Mortgage Revenue Fund's excess moneys. The \$90,000 certificate of deposit will satisfy the debt covenant requirement that a "minimum reserve" of \$89,631 be accumulated in the Sanitary Sewer System Reserve Fund, but this minimum reserve amount should be posted to a separate Enterprise Fund, titled "Sanitary Sewer System Reserve Fund". The Village did make the first required debt payment on the bonds in a timely manner during 2008, but the payment was made from the Sewer Operating Fund, instead of the covenanted Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund.

We recommend the Village create the Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund ("Sinking Fund"), Sanitary Sewer System Mortgage Revenue Bond Reserve Fund ("Reserve Fund") and the Sanitary Sewer System Mortgage Revenue Bond Surplus Fund ("Surplus Fund"). Each month, the Village should allocate monthly sanitary sewer revenues within the Sanitary Sewer System Mortgage Revenue Fund to (1) paying all operating expenses; (2) monthly allocation to the Sinking Fund, (3) monthly allocation to Reserve Fund until minimum reserve is met, and (4) any excess to Surplus Fund. The Village has contacted United States Department of Agriculture (USDA) Rural Development concerning the Village's plan to create the necessary funds.

FINDING NUMBER 2008-004

Material Weakness

At the end of each month, the Village Clerk/Treasurer reconciled the bank account to the Village accounting records.

Throughout the audit period, we noted that the Clerk/Treasurer was not able to reconcile the bank balances to the Village's accounting system. Based on this weakness, the Auditor of State performed a proof-of-cash to reconcile the bank to the Village accounting system for the audit period. These audit procedures identified the following items which affected the reconciliation of Village accounts:

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

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

FINDING NUMBER 2008-004 (Continued)

Material Weakness (Continued)

- Check numbers on the physical check did not agree to check numbers on the UAN system
- Isolated checks listed on the outstanding check list, but check cleared the bank
- Utility deposits made at bank but not recorded on the Village accounting system
- Certificate of Deposit for \$1,662 not a reconciling item on bank side of reconciliation
- Certificate of Deposit for \$90,000 not on accounting system
- Bank returned checks for insufficient funds but the deposit amount was not removed from revenue ledger
- Outstanding checks from the prior year were not listed on the outstanding checklist at beginning of audit
- Revenue and expenditure postings made to accounting system at incorrect amounts.

The Certificate of Deposit, in the amount of \$90,000 has been adjusted to the accompanying financial statements.

The other errors and mispostings accounted for adjustments to cash of \$803 in 2007 and (\$816) in 2008. Also, there were prior year outstanding checks in the amount \$1,325 not reported on the outstanding checklist that need voided. These amounts have not been posted to the accompanying financial statements and have been given to the clerk to make in 2009. The Funds affected are:

Fund Number	Fund Name	Amount
1000	General	\$488.69
2011	Street Maintenance & Repair	(\$72.75)
2901	Fire	\$479.17
2902	Police	(\$24.45)
5101	Water	\$129.29
5201	Sewer	\$280.00
5781	Utility Deposit	\$33.45

We recommend the Clerk/Treasurer perform a bank to book reconciliation on a timely basis each month. This reconciliation should be reviewed and approved by Village Council at each monthly meeting. We also recommend the Village establish proper procedures to ensure the validity of reconciling items on the monthly bank reconciliation. In addition, the December 31, 2008 bank reconciliation contains old outstanding checks that should be voided.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2006-001	Ohio Adm. Code Section 117-2-02(A) for improperly posting of revenue and/or expenditure accounts	No	Not Corrected. Repeated as Finding 2008-002.
Finding 2006-002	Ohio Rev. Code Section 5705.40 for posting unapproved changes to budgeted appropriation amounts in the Village's ledgers	No	Partially Corrected. Repeated as Management Letter comment
Finding 2006-003	OMB Circular A-87, Attachment A, Section C.1(i) for limited support documentation for invoices paid with federal grant money.	Yes	Finding no longer valid
Finding 2006-004	Ohio Rev. Code Section 5705.41(D)(1) for not obtaining prior certification from clerk for obligations	No	Not Corrected. Repeated as Finding 2008-001.
Finding 2006-005	Ohio Rev. Code Section 5705.41(B) expenditures exceeding appropriations	Yes	Finding no longer valid
Finding 2006-006	Recommendation for unidentified reconciling items on monthly reconciliation	No	Not Corrected. Repeated as Finding 2008-004.



Mary Taylor, CPA
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, 2009**