



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 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 26, 2007

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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 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, 2006 and 2005. 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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position or cash flows of its proprietary funds 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, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2007, 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.



Mary Taylor, CPA
Auditor of State

November 26, 2007

**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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$12,837	\$14,667	\$27,504
Intergovernmental	22,017	24,689	46,706
Special Assessments		23	23
Charges for Services		12,000	12,000
Earnings on Investments	1,372	1,432	2,804
Miscellaneous	7,017	120	7,137
	<u>43,243</u>	<u>52,931</u>	<u>96,174</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	10,818	8,276	19,094
Public Health Services	100		100
Basic Utility Service	2,399		2,399
Transportation	1,250	26,128	27,378
General Government	34,137		34,137
Debt Service:			
Redemption of Principal		5,879	5,879
Interest and Fiscal Charges		2,828	2,828
Capital Outlay	250		250
	<u>48,954</u>	<u>43,111</u>	<u>92,065</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(5,711)</u>	<u>9,820</u>	<u>4,109</u>
Fund Cash Balances, January 1	<u>26,918</u>	<u>27,954</u>	<u>54,872</u>
Fund Cash Balances, December 31	<u>\$21,207</u>	<u>\$37,774</u>	<u>\$58,981</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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$301,949
Miscellaneous	25
	301,974
Operating Cash Disbursements:	
Personal Services	33,506
Employee Fringe Benefits	3,564
Contractual Services	102,897
Supplies and Materials	85,771
Claims	5,222
	230,960
Operating Income/(Loss)	71,014
Non-Operating Cash Receipts:	
Intergovernmental	267,687
Special Assessments	351
	268,038
Non-Operating Cash Disbursements:	
Capital Outlay	105,406
Redemption of Principal	59,618
Interest and Other Fiscal Charges	35,695
Other Non-Operating Cash Disbursements	19,063
	219,782
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	119,270
Fund Cash Balances, January 1	295,535
Fund Cash Balances, December 31	\$414,805

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, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$11,666	\$14,184	\$25,850
Intergovernmental	20,197	23,178	43,375
Charges for Services	216	12,000	12,216
Fines, Licenses and Permits	282		282
Earnings on Investments	1,274	806	2,080
Miscellaneous	10,106	1,679	11,785
	<u>43,741</u>	<u>51,847</u>	<u>95,588</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	11,909	12,586	24,495
Public Health Services	5,903		5,903
Basic Utility Service	2,779		2,779
Transportation	383	28,108	28,491
General Government	31,774		31,774
Debt Service:			
Redemption of Principal		5,628	5,628
Interest and Fiscal Charges		3,071	3,071
	<u>52,748</u>	<u>49,393</u>	<u>102,141</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(9,007)</u>	<u>2,454</u>	<u>(6,553)</u>
Other Financing Receipts / (Disbursements):			
Other Financing Uses	<u>(411)</u>		<u>(411)</u>
Total Other Financing Receipts / (Disbursements)	<u>(411)</u>	<u>0</u>	<u>(411)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,418)	2,454	(6,964)
Fund Cash Balances, January 1 (Restated, See Note 3)	<u>36,336</u>	<u>25,500</u>	<u>61,836</u>
Fund Cash Balances, December 31	<u>\$26,918</u>	<u>\$27,954</u>	<u>\$54,872</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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$230,369
Total Operating Cash Receipts	230,369
Operating Cash Disbursements:	
Personal Services	29,463
Employee Fringe Benefits	3,941
Contractual Services	17,466
Supplies and Materials	28,480
Claims	12,356
Total Operating Cash Disbursements	91,706
Operating Income/(Loss)	138,663
Non-Operating Cash Receipts:	
Intergovernmental	573,864
Total Non-Operating Cash Receipts	573,864
Non-Operating Cash Disbursements:	
Capital Outlay	535,929
Redemption of Principal	35,991
Interest and Other Fiscal Charges	30,321
Total Non-Operating Cash Disbursements	602,241
Net Receipts Over/(Under) Disbursements	110,286
Fund Cash Balances, January 1 (Restated, See Note 3)	185,249
Fund Cash Balances, December 31	\$295,535

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, 2006 AND 2005**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Pleasant City, Guernsey County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, fire protection, and emergency medical 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. 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. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records 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 private-purpose 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, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Fire Levy Fund – This fund receives property tax and fire protection contract money to be used for support of the Village volunteer fire department

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. This fund also receives grant and loan proceeds to be used for the construction of 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. 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.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2006 and 2005 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 and at December 31 was as follows:

	2006	2005
Demand deposits	\$472,124	\$348,745
Certificates of deposit	1,662	1,662
Total deposits	473,786	350,407

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

3. Prior Period Restatement

For the year ended December 31, 2004, an adjustment resulted in fund balance restatement.

Fund	Fund Balances at December 31, 2004	Restatement Amount	Fund Balances at January 1, 2005
General Fund	\$33,837	\$2,499	\$36,336
Enterprise Funds	187,748	(2,499)	185,249

The changes in fund balances for the General and Water Enterprise Funds are the result of posting errors in the prior period.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,811	\$43,243	\$2,432
Special Revenue	32,985	52,931	19,946
Enterprise	487,740	570,012	82,272
Total	\$561,536	\$666,186	\$104,650

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,330	\$48,954	\$11,376
Special Revenue	59,750	43,111	16,639
Enterprise	586,800	450,742	136,058
Total	\$706,880	\$542,807	\$164,073

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,691	\$43,741	(\$7,950)
Special Revenue	39,402	51,847	12,445
Enterprise	761,358	804,233	42,875
Total	\$852,451	\$899,821	\$47,370

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,600	\$53,159	\$18,441
Special Revenue	59,370	49,393	9,977
Enterprise	379,262	693,947	(314,685)
Total	\$510,232	\$796,499	(\$286,267)

Contrary to Ohio law, the certification of availability of unencumbered appropriations for expenditure was not obtained for all expenditures made during 2006 or 2005.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. Budgetary Activity (Continued)

Contrary to Ohio law, certain amendments were made to appropriations without approval of Village Council or proper certification to the County Auditor.

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the State Highway, Water Operating, and Sewer Operating Funds by \$2,173, 1,522, and \$328,732, respectively, for the year ended December 31, 2005.

Although total fund budgetary expenditures did not exceed appropriations in the General, Street Construction and Maintenance, and Fire Levy funds, expenditures exceeded appropriations at the legal level of control for certain accounts within these funds during 2005, contrary to Ohio law. During 2006, expenditures exceeded appropriations at the legal level of control for certain accounts within the General, Street Construction and Maintenance, Fire Levy, Water Operating, and Sewer Operating funds.

5. 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.

6. Debt

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #8065	\$433,811	6.12%
Ohio Water Development Authority Loan #8065S	46,640	5.76%
Ohio Water Development Authority Loan #4062	1,709,582	1.96%
Ohio Public Works Commission - CT36B	475,000	0.00%
Fire Truck Bonds Series 2004	57,493	4.45%
Water Meter Bonds Series 2004	12,869	3.58%
Total	<u>\$2,735,395</u>	

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. Debt (Continued)

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.

Ohio Water Development Authority (OWDA) loan (#4062) is interim financing related to a waste water treatment facility project. The United States Department of Agriculture Rural Utilities Services has approved a loan which will pay off this loan when construction is completed.

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 beginning 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 beginning August 19, 2005.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan 8065	OWDA Loan 8065S	Fire Truck Bonds Series 2004	Water Meter Bonds Series 2004	OPWC Loan
2007	28,621	2,315	8,699	4,440	12,500
2008	57,242	4,630	8,699	4,440	25,000
2009	57,242	4,630	8,699	4,440	25,000
2010	57,242	4,630	8,699		25,000
2011	57,242	4,630	8,699		25,000
2012-2016	286,210	23,150	26,097		125,000
2017-2021	57,242	23,150			125,000
2022-2026		9,260			112,500
Total	<u>\$601,041</u>	<u>\$76,395</u>	<u>\$69,592</u>	<u>\$13,320</u>	<u>\$475,000</u>

7. 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 plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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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 Village Council:

We have audited the financial statements of the Village of Pleasant City, Guernsey County, Ohio (the Village, November 26, 2007, 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 opinions 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 the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003 and 2006-006.

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, of the significant deficiencies described above, we believe Finding 2006-001 and 2006-006 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 26, 2007.

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 2006-001 through 2006-005.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated November 26, 2007.

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



Mary Taylor, CPA
Auditor of State

November 26, 2007

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Noncompliance Citation and Material Weakness

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 did not have control procedures in place to ensure the accuracy of revenue and expenditure line account postings. Throughout the audit period, numerous receipts and expenditures in the amount of \$3,262 for the General Fund, in the amount of \$13,014 for Special Revenue Funds and in the amount of \$886,761 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, multiple revenue and expenditure accounts were materially misstated due to mistakes in posting. Also, the Ohio Public Works Commission (OPWC) paid various contractors for the construction of the Village's wastewater treatment plant on behalf of the Village. However, during 2006, a payment in the amount of \$81,448 was paid by OPWC to the Ohio Water Development Authority on behalf of the Village. The Village did not record a memorandum receipt or expenditure in the accounting system. Furthermore, these posting errors resulted in numerous reclassifications being made to the financial statements to ensure accurate presentation of receipts, expenditures, and applicable fund balances.

We recommend the Clerk/Treasurer review guidance within the Uniform Accounting Network Accounting Manual under Village Chart of Accounts and Auditor of State Bulletin 2000-008 *Accounting for Cash Basis Local Governments Participating in On-Behalf of Grants or Improvement Projects*. 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.

Official's response:

We did not receive a response from the Village.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code § 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

Ohio Adm. Code Section 117-2-02(C)(1) states all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-002 (Continued)

The Clerk/Treasurer posted multiple appropriation amendments throughout the audit period to the accounting system. However, certain amendments posted to the accounting system were not formally approved by Village Council in the minutes, nor were they certified to the County Auditor. Also, the Village did not properly post budgeted receipts, and any amendments made to them, to the accounting system in the amounts passed by the legislative authority. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system throughout the year. The following table details these variances at year end for both years under audit:

<u>Fund</u>	<u>Amount Per Last Amended Certificate</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
2006			
General Fund	\$40,811	\$0	(\$40,811)
Street Const. and Maint. Fund	\$8,846	\$1,000	(\$7,846)
State Highway Fund	\$400	\$0	(\$400)
Permissive MVL Fund	\$1,000	\$0	(\$1,000)
Fire Fund	\$18,673	\$1,000	(\$17,673)
Police Fund	\$4,066	\$150	(\$3,916)
Water Operating Fund	\$160,000	\$0	(\$160,000)
Sewer Operating Fund	\$186,240	\$0	(\$186,240)
Issue II Fund	\$4,796	\$0	(\$4,796)
2005			
General Fund	\$51,691	\$0	(\$51,691)
Street Const. and Maint. Fund	\$17,553	\$0	(\$17,553)
State Highway Fund	\$400	\$0	(400)
Fire Fund	\$17,384	\$0	(17,384)
Police Fund	\$4,065	\$0	(4,065)
Water Operating Fund	\$107,500	\$0	(107,500)
Sewer Operating Fund	\$651,358	\$0	(651,358)
Issue II Fund	\$4,737	\$0	(4,737)

We recommend Village management review budgetary procedures for amending appropriations, document Village Council approval of all appropriations amendments in the minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Clerk/Treasurer should post these amendments only after the required approvals have been obtained. The accompanying budgetary presentation includes only appropriations formally approved by Village Council.

Official's response:

We did not receive a response from the Village.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

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

FINDING NUMBER 2006-003

Noncompliance Citation and Significant Deficiency

OMB Circular A-87, Attachment A, Section C.1 (i) requires that to be allowable under Federal awards, costs must be supported by appropriate/adequate documentation. This would include: approved purchase orders, receiving reports, vendor invoices, canceled checks, and time and attendance records, and correctly charged as to account, amount, and period.

Ohio Rev. Code Section 149.351(A) provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided under Section 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

During 2005 and 2006, the Village disbursed \$71,963 and \$9,650 in Community Development Block Grant monies to various contractors to connect individual households to the Village's main sewer line. There was limited documentation provided for audit to support these expenditures.

We recommend all disbursements made by the Village be supported by adequate supporting documentation. All disbursements should be supported by a voucher package containing a signed voucher, indication of what account the disbursement will be posted to, and a detailed invoice documenting the goods or service purchased and selling price.

Official's response:

We did not receive a response from the Village.

FINDING NUMBER 2006-004

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract 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 encumbrances.

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.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

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

FINDING NUMBER 2006-004 (Continued)

1. **“Then and Now” Certificate** - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. 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 extend beyond the current year. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to purchase commitment for sixty-four percent (64%) and eighty-six percent (86%) of 2006 and 2005, respectively, of the expenditures tested during the audit period and there was no evidence the Village followed the aforementioned exceptions.

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 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 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. In addition, we recommend the Village establish a threshold for which blanket certificates may not exceed if they wish to continue issuing regular blanket certificates.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

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

FINDING NUMBER 2006-004 (Continued)

Official's response:

We did not receive a response from the Village.

FINDING NUMBER 2006-005

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated. During the years ended December 31, 2005 and 2006, the following Village funds had expenditures which exceeded approved appropriations at the legal level of control:

<u>Year</u>	<u>Fund/Function/Object</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
2005	1000-790-352	\$0	\$9,722	(\$9,722)
2005	2901-850-710	\$0	\$5,628	(\$5,628)
2005	2901-850-720	\$0	\$3,071	(\$3,071)
2005	5101-850-710	\$18,624	\$35,990	(\$17,366)
2005	5201-800-510	\$75,000	\$456,020	(\$381,020)
2005		\$18,624	\$3,071	\$15,553

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-005 (Continued)

<u>Year</u>	<u>Fund-Function-Object</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
2006	1000-110-190	\$2,300	\$3,313	(\$1,013)
2006	1000-130-311	\$250	\$3,081	(\$2,831)
2006	1000-715-111	\$0	\$1,472	(\$1,472)
2006	1000-740-600	\$0	\$2,075	(\$2,075)
2006	1000-790-352	\$0	\$10,000	(\$10,000)
2006	2011-620-190	\$0	\$3,658	(\$3,658)
2006	2011-620-211	\$0	\$3,000	(\$3,000)
2006	2901-850-710	\$0	\$5,879	(\$5,879)
2006	2901-820-720	\$0	\$2,828	(\$2,828)
2006	5101-532-420	\$0	\$7,572	(\$7,572)
2006	5101-533-490	\$0	\$4,784	(\$4,784)
2006	5101-534-400	\$0	\$10,796	(\$10,796)
2006	5101-539-150	\$0	\$2,322	(\$2,322)
2006	5101-539-219	\$0	\$3,411	(\$3,411)
2006	5101-850-720	\$30,000	\$31,111	(\$1,111)
2006	5201-594-500	\$600	\$21,462	(\$20,862)
2006	5201-800-510	\$0	\$105,406	(\$105,406)
2006	5201-850-710	\$0	\$25,000	(\$25,000)

We recommend the Clerk deny requests for payments when appropriations are not sufficient to allow the expenditure.

Official's response:

We did not receive a response from the Village.

FINDING NUMBER 2006-006

Material Weakness

Monthly Reconciliations

Bank reconciliations should be performed by the Clerk/Treasurer on a monthly basis and should be reviewed for accuracy by at least one member of Village Council. Throughout the audit period, we noted that the Clerk/Treasurer was not able to reconcile the bank balances to balances posted to the accounting system. After further review, we noted the following items which affected the reconciliation of Village accounts:

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

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

FINDING NUMBER 2006-006 (Continued)

- Check had pre-printed numbers but these numbers were not entered into the UAN system but a different check number was used, therefore cancelled check numbers did not agree to check numbers posted to the accounting system.
- Check in the amount of \$166.83 was voided but cleared the bank.
- Two checks not posted at correct amount
- Two checks posted twice
- Two bank charges not booked to accounting system
- Nine bank deposits posted to accounting system at incorrect amount
- Two months of bank interest not recorded to accounting system

These factors resulted in unidentified reconciling items being carried on the monthly bank reconciliations throughout the audit period. In addition, the Clerk/Treasurer's inability to determine the cause for these reconciling items resulted in additional cost being charged the Village for assistance in reconciling these accounts. These mispostings resulted in a cumulative net adjustment to each fund in the following amounts:

Fund Number	Fund Name	Amount
1000	General	(\$433.24)
2011	Street Maintenance & Repair	(\$123.09)
2021	State Highway	\$31.16
2101	Permissive MVL	\$77.87
5101	Water	(\$15.21)
5201	Sewer	\$865.50

We recommend the Clerk/Treasurer perform a bank to book reconciliation on a timely basis each month. This reconciliation should be reviewed, and signed off on as an indication of accuracy, by at least one member of Village Council. We also recommend the Village establish proper procedures to ensure that the check numbers are the same as the data posted to the payment register and that voided checks are cancelled in an appropriate manner. These adjustments have been made to the Village's accounting system.

Official's response:

We did not receive a response from the Village.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code Section 5705.39 – Appropriations exceeding Estimated Resources	Yes	Corrected; No instances noted during current audit period.
2004-002	Ohio Revised Code Section 5705.41 (B) – Expenditures exceeding Appropriations.	No	Not Corrected – Finding reissued as Finding 2006-005
2004-003	Ohio Revised Code Section 5705.41 (D) – Prior certification of expenditures.	No	Not Corrected – Finding reissued as Finding 2006-004
2004-004	Ohio Revised Code Section 731.14 – Competitive bidding procedures	Yes	Finding No Longer Valid
2004-005	Posting of receipt and expenditure transactions to the UAN accounting system	No	Not Corrected – Finding reissued as Finding 2006-001
2004-006	Recording of on-behalf grants	No	Not Corrected – Finding reissued as Finding 2006-001



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
JANUARY 8, 2008**