

VILLAGE OF PLEASANT CITY
AUDIT REPORT
JANUARY 1, 2015 - DECEMBER 31, 2016

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Pleasant City, Guernsey County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 14, 2017

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**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY
JANUARY 1, 2015 - DECEMBER 31, 2016**

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

INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of Pleasant City, Guernsey County, as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Pleasant City as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Pleasant City, Guernsey County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2017, on our consideration of the Village of Pleasant City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 27, 2017

**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, 2016**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property Tax and Other Local Taxes	\$ 18,452	\$ 21,112	\$ 39,564
Intergovernmental Receipts	13,063	41,416	54,479
Charges for Services	-	1,000	1,000
Fines, Licenses, and Permits	8,061	-	8,061
Earnings on Investments	4,292	-	4,292
Total Cash Receipts	<u>43,868</u>	<u>63,528</u>	<u>107,396</u>
Cash Disbursements			
Current:			
Security of Persons and Property	4,225	9,083	13,308
Public Health Services	393	-	393
Basic Utility Services	573	602	1,175
Transportation	490	18,569	19,059
General Government	23,595	106	23,701
Capital Outlay	5,571	-	5,571
Total Cash Disbursements	<u>34,847</u>	<u>28,360</u>	<u>63,207</u>
Net Change in Fund Cash Balance	9,021	35,168	44,189
Fund Cash Balances, January 1, 2016	<u>29,108</u>	<u>82,512</u>	<u>111,620</u>
Fund Cash Balances, December 31, 2016			
Restricted	-	117,680	117,680
Unassigned (Deficit)	38,129	-	38,129
Fund Cash Balances, December 31, 2016	<u>\$ 38,129</u>	<u>\$ 117,680</u>	<u>\$ 155,809</u>

See notes to financial statements.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Proprietary
	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$ 300,498
Total Operating Cash Receipts	300,498
Operating Cash Disbursements:	
Personal Services	50,367
Fringe Benefits	4,912
Contractual Services	76,086
Supplies and Materials	27,685
Other	3,837
Total Operating Cash Disbursements	162,887
Operating Income/(Loss)	137,611
Non-Operating Cash Receipts (Disbursements):	
Debt Service	30,000
Capital Outlay	(6,076)
Redemption of Principal	(105,103)
Interest and Other Fiscal Charges	(73,345)
Total Non-Operating Cash Receipts (Disbursements)	(154,524)
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	(16,913)
Transfers In	101,574
Transfers Out	(101,574)
Net Change in Fund Cash Balance	(16,913)
Fund Cash Balances, January 1	323,067
Fund Cash Balances, December 31	\$ 306,154

See notes to financial statements.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property Tax and Other Local Taxes	\$ 15,307	\$ 18,107	\$ 33,414
Intergovernmental Receipts	12,699	29,180	41,879
Special Assessments	-	3,632	3,632
Charges for Services	-	15,000	15,000
Fines, Licenses, and Permits	7,845	-	7,845
Earnings on Investments	4,291	-	4,291
Total Cash Receipts	<u>40,142</u>	<u>65,919</u>	<u>106,061</u>
Cash Disbursements			
Current:			
Security of Persons and Property	4,981	11,618	16,599
Public Health Services	429	4,749	5,178
Basic Utility Services	779	57	836
Transportation	948	35,697	36,645
General Government	22,095	110	22,205
Capital Outlay	-	13,241	13,241
Total Cash Disbursements	<u>29,232</u>	<u>65,472</u>	<u>94,704</u>
Excess of Cash Receipts Over/(Under) Disbursements	10,910	447	11,357
Other Cash Financing Sources			
Sale of Capital Assets	-	1,000	1,000
Total Other Cash Financing Sources	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Net Change in Fund Cash Balance	10,910	1,447	12,357
Fund Cash Balances, January 1, 2015	<u>18,198</u>	<u>81,065</u>	<u>99,263</u>
Fund Cash Balances, December 31, 2015			
Restricted	-	82,512	82,512
Unassigned (Deficit)	29,108	-	29,108
Fund Cash Balances, December 31, 2015	<u>\$ 29,108</u>	<u>\$ 82,512</u>	<u>\$ 111,620</u>

See notes to financial statements.

VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015

	Proprietary
	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$ 295,722
Total Operating Cash Receipts	295,722
Operating Cash Disbursements:	
Personal Services	56,508
Fringe Benefits	5,513
Contractual Services	61,944
Supplies and Materials	23,119
Other	10,272
Total Operating Cash Disbursements	157,356
Operating Income/(Loss)	138,366
Non-Operating Cash Receipts (Disbursements):	
Capital Outlay	(11,345)
Redemption of Principal	(101,006)
Interest and Other Fiscal Charges	(75,437)
Total Non-Operating Cash Receipts (Disbursements)	(187,788)
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	(49,422)
Transfers In	101,966
Transfers Out	(101,966)
Net Change in Fund Cash Balance	(49,422)
Fund Cash Balances, January 1	372,489
Fund Cash Balances, December 31	\$ 323,067

See notes to financial statements.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

1. REPORTING ENTITY

Description of the Entity

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

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

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

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

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

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

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain Agency Funds) be budgeted annually.

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2016 and 2015 budgetary activity appears in Note 4.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

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

Property, Plant, and Equipment

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

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

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

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

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

3. COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (D), the Village had expenditures made prior to certification in 13% of disbursements tested.

Contrary to Ohio Revised Code Section 5705.39, the Village had appropriations exceeding estimated resources.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2016 and 2015 is as follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,973	\$ 43,868	\$ 4,895
Special Revenue	36,205	63,528	27,323
Enterprise	381,998	432,072	50,074
Total	<u>\$ 457,176</u>	<u>\$ 539,468</u>	<u>\$ 82,292</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 68,081	\$ 34,847	\$ 33,234
Special Revenue	111,277	28,360	82,917
Enterprise	648,403	448,985	199,418
Total	<u>\$ 827,761</u>	<u>\$ 512,192</u>	<u>\$ 315,569</u>

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 37,635	\$ 40,142	\$ 2,507
Special Revenue	38,158	66,919	28,761
Enterprise	390,757	397,688	6,931
Total	<u>\$ 466,550</u>	<u>\$ 504,749</u>	<u>\$ 38,199</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 55,800	\$ 29,232	\$ 26,568
Special Revenue	115,830	65,472	50,358
Enterprise	762,962	447,110	315,852
Total	<u>\$ 934,592</u>	<u>\$ 541,814</u>	<u>\$ 392,778</u>

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

5. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2016</u>	<u>2015</u>
Demand Deposits	\$ 370,301	\$ 343,025
Certificates of Deposit	91,662	91,662
Total Deposits and Investments	<u>\$ 461,963</u>	<u>\$ 434,687</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

6. PROPERTY TAX

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

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

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Law enforcement liability;
- Public Officials liability;
- Employment practices liability; and
- Errors and omissions.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.00% of participant's gross salaries. The Village has paid all contributions required through December 31, 2016.

9. POSTEMPLOYMENT BENEFITS

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

10. DEBT

Debt outstanding at December 31, 2016 was as follows:

	2016 Principal	%
OWDA #2083 Water Plant Expansion	\$ 26,970	6.12
OWDA #2084 Water Plant Expansion	21,310	5.76
OPWC CT36B Wastewater Plant	225,000	0.00
Sanitary Sewer Revenue Bonds	1,551,200	4.12
Farmers and Merchant Bank Water Leak Repairs	24,416	5.004
Total	\$ 1,848,896	

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

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

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

11. DEBT (Continued)

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

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

In August of 2016, the Village entered into a loan with The Farmers and Merchant for \$30,000 to be used to pay a vendor who had corrected water leaks in the Village.

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

Year	OWDA #2083	OWDA #2084	OPWC CT36B	Sewer Bonds	Farmers Bank
2017	\$ 28,049	\$ 4,255	\$ 25,000	\$ 89,587	\$ 18,770
2018	-	4,314	25,000	89,631	6,256
2019	-	4,378	25,000	89,530	-
2020	-	4,445	25,000	89,587	-
2021	-	4,516	25,000	89,595	-
2022-2026	-	2,296	100,000	447,811	-
2027-2031	-	-	-	447,833	-
2032-2036	-	-	-	447,820	-
2037-2041	-	-	-	447,867	-
2042-2046	-	-	-	447,835	-
2047-2051	-	-	-	89,548	-
Total	<u>\$ 28,049</u>	<u>\$ 24,204</u>	<u>\$ 225,000</u>	<u>\$ 2,776,644</u>	<u>\$ 25,026</u>

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

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

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

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Pleasant City, Guernsey County as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 27, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2016-001 and 2016-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Pleasant City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2016-001 and 2016-003.

Purpose of this Report

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 27, 2017

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Noncompliance and Material Weakness

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

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

There were numerous reclassifications made to the financial statements as follows:

- In 2015, there was a reclassification of \$12,500 from Interest and Other Fiscal Charges to Principal Retirement in the Sewer Fund.
- In 2015, there was a reclassification of \$89,571 from Capital Outlay and reclassified to Principal Retirement of \$23,600 and \$65,971 to Interest and Other Fiscal Charges.
- In 2015, there was a reclassification of \$4,979 from Other to Capital Outlay in the Sewer Fund for Pipe repairs.
- In 2015, there was a reclassification of \$5,750 from Supplies to Capital Outlay in the Sewer Fund for a sewer pump.
- In 2015, there was a reclassification of \$24,534 from Interest and Other Fiscal Charges to Principal Retirement in the Water Fund.
- In 2015, there was a reclassification of \$3,373 from Security of Persons to Capital Outlay in the Fire Fund for fire truck repairs.
- In 2015, there was a reclassification of \$4,749 from Basic Utility to Public Health in the Fire Fund for insurance premium.
- In 2015, there was a reclassification of \$1,149 from Security of Persons to Capital Outlay in the Fire Fund for a generator.
- In 2015, there was a reclassification of \$8,719 from Security of Persons to Capital Outlay in the Fire Fund for fire equipment.
- In 2015, there was a reclassification of \$1,500 from Transportation to general Government in the General Fund for a land survey.
- In 2015, there was a reclassification of \$618 from Public Health to General Government in the General Fund for UAN fees.
- In 2015, there was a reclassification of \$1,000 from Charges for Services to Sale of Capital Assets in the Fire Fund for selling equipment.
- In 2015, there was a reclassification of \$10,000 from Miscellaneous to Intergovernmental Revenue in the Fire Fund for a grant.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001 (Continued)

- In 2016, there was a reclassification of \$17,6500 from Interest and Other Fiscal Charges to Principal Retirement in the Water Fund.
- In 2016, there was a reclassification of \$24,500 from Interest and Other Fiscal Charges to Principal Retirement in the Sewer Fund.
- In 2016, there was a reclassification of \$618 from Basic Utility to General Government in the General Fund for UAN fees.
- In 2016, there was a reclassification of \$4,150 from Transportation and \$1,061 from General Government to Capital Outlay.
- In 2016, there was a reclassification of \$29,418 from Supplies to Contractual Services for water leak work.
- In 2016, there was a reclassification of \$5,850 from Other to Capital Outlay for a sewer pump.

The reclassifications are reflected in the accompanying financial statements.

We recommend the Fiscal Officer review guidance within the Uniform Accounting Network Accounting Manual under Village Chart of Accounts and/or the Village Officer’s Handbook (Revised 3/2013). This guidance will allow the Fiscal Officer to make proper postings to receipts and expenditures account classifications based on the source of receipts or the purpose of the expenditure. Someone independent of the Fiscal Officer, preferably a member of Council, should periodically review postings to the accounting system for accuracy. them to the county auditor.

Client Response: We received no response from client.

FINDING NUMBER 2016-002

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balance of appropriations.

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

Fund	Year	Amount Per Last Amended Certificate	Amounts Posted To Accounting System	Variance
Street Construction	2016	\$ 24,118	\$ 27,750	\$ (3,632)
Street Construction	2015	23,208	22,208	1,000

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

Client Response: We received no response from the client.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-003

Noncompliance – Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total estimate or amended official estimate.

		Estimated			
Fund	Year	Resources		Appropriations	Variance
Street	2016	\$ 41,678		\$ 45,309	\$ (3,631)
Water	2016	128,308		163,308	(35,000)
Police Fund	2015	30,165		40,160	(9,995)

We recommend Council review estimated resources versus appropriations throughout the year. Also, Council should not approve appropriations greater than estimated resources. This could result in the Village spending more money than it receives and could cause possible negative fund balances.

Client Response: We have not received a response from client.

**VILLAGE OF PLEASANT CITY
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2016**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-01	Noncompliance ORC 5705.41 (D) for not obtaining prior certification for incurring obligations	No	Reissued in Management Letter
2014-02	ORC 733.28 and OAC 117-2-02(A) not posting receipts and expenditures in the proper account classifications	No	Repeated as Finding 2016-001
2014-03	Not posting approved budgeted receipts and appropriations correctly to the UAN system	No	Repeated as Finding 2016-002
2014-04	OAC 117-2-02(A) Complete voucher packages	Yes	Finding No Longer Valid
2014-05	Material Weakness Bank Reconciliations	Yes	Finding No Longer Valid



Dave Yost • Auditor of State

VILLAGE OF PLEASANT CITY

GUERNSEY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 26, 2017