



**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

VILLAGE OF PLEASANT HILL
MIAMI COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Pleasant Hill
Miami County
P.O. Box 557
Pleasant Hill, Ohio 45359

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pleasant Hill, Miami County, (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2C, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pleasant Hill, Miami County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund, Street Construction Maintenance and Repair Fund, and Cemetery Fund thereof for the year then ended in conformity with the basis of accounting Note 2C describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

September 20, 2006

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Village of Pleasant Hill's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of the Village activities increased \$81,257, or 18.1 percent, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General Fund, Street Construction Maintenance and Repair Fund and Water Operating Fund. The reduced spending in these funds was mainly in anticipation of the needs for the Long Street Construction project which is to begin in 2006. Also the elimination of the Police Department had a positive affect on the General Fund.
- The Village's General Fund receipts are primarily property taxes, municipal income taxes, and local government revenue assistance. These receipts represent \$219,355 and 61 percent of the total cash received for governmental activities during the year. Income tax receipts during 2005 were down by 5.6% compared to 2004.
- The water and sewer operation and the water line and tower improvements funds, the Village's main business-type activities, lost \$1,264 for the year.
- In the Fall of 2005 a CDBG Grant for approximately \$50,000.00 was awarded to the Village for the Long Street Reconstruction project which was contracted out in December 2005 for an estimated construction cost of \$266,830. The project is to begin early in 2006. The major asset purchased in 2005 was a 2005 Chevy Silverado 3500 Dump Truck for \$24,926.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities – Most of the Village's basic services are reported here, including streets and the park. State and federal grants and earnings tax, property taxes and local government revenue assistance and sales and use taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity – The Village also has business-type activities, such as water, sewer, water line and tower improvements and refuse. Business-type activities are financed by a fee charged to the customers receiving the service.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary, and fiduciary.

Governmental Funds – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Construction Maintenance and Repair Fund, and Cemetery Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has four enterprise funds, all which are major, they are the Water Operating, Sewer Operating, Water Line and Tower Improvements, and Refuse funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

**(Table 1)
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equivalents	\$402,740	\$325,252	\$124,791	\$121,022	\$527,531	\$446,274
Total Assets	<u>402,740</u>	<u>325,252</u>	<u>124,791</u>	<u>121,022</u>	<u>527,531</u>	<u>446,274</u>
Net Assets						
Restricted for:						
Capital Outlay			8,748	13,168	8,748	13,168
Other Purposes	143,617	132,565			143,617	132,565
Unrestricted	259,123	192,687	116,043	107,854	375,166	300,541
Total Net Assets	<u>\$402,740</u>	<u>\$325,252</u>	<u>\$124,791</u>	<u>\$121,022</u>	<u>\$527,531</u>	<u>\$446,274</u>

As mentioned previously, net assets of the Village increased \$81,257, or 18.1 percent during 2005.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$36,193	\$271,886	\$308,079
Operating Grants and Contributions	62,180	1,999	64,179
Total Program Receipts	98,373	273,885	372,258
General Receipts:			
Property and Other Local Taxes	19,758		19,758
Income Taxes	139,558		139,558
Grants and Entitlements Not Restricted to Specific Programs	60,039		60,039
Interest	15,002		15,002
Miscellaneous	27,519	117	27,636
Total General Receipts	261,876	117	261,993
Total Receipts	360,249	274,002	634,251
Disbursements:			
General Government	115,648		115,648
Security of Persons and Property:	59,502		59,502
Public Health Services	39,542		39,542
Leisure Time Activities	5,451		5,451
Transportation	44,375		44,375
Capital Outlay	18,243		18,243
Water Operating		81,462	81,462
Sewer Operating		85,389	85,389
Water Line and Tower Improvements		29,384	29,384
Refuse		73,998	73,998
Total Disbursements	282,761	270,233	552,994
Increase (Decrease) in Net Assets	77,488	3,769	81,257
Net Assets, January 1, 2005	327,249	121,022	448,271
Net Assets, December 31, 2005	\$404,737	\$124,791	\$529,528

Program receipts represent 58.7 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, water, sewer and refuse charges.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

General receipts represent 41.3 percent of the Village's total receipts, and of this amount, over 60.8 percent are property and income taxes. State and federal grants and entitlements make up most of the remaining balance of the Village's general receipts (22.9 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the fiscal officer, and income tax administrator, as well as the service department.

Security of Persons and Property are the costs of police; Public Health Services is the County Health Department and cemeteries; Leisure Time Activities are the costs of maintaining the parks and summer recreation programs; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 15.6 and 21 percent of all governmental disbursements, respectively. General government represents the most significant cost, about 40.9 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$115,648	\$115,648
Security of Persons and Property	59,502	46,444
Public Health Services	39,542	16,407
Leisure Time Activities	5,451	5,451
Transportation	44,375	(17,805)
Capital Outlay	18,243	18,243
Total Expenses	\$282,761	\$184,388

The dependence upon property and income tax receipts is apparent as over 65.2 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water and sewer operations of the Village is a major part of operations and routinely reports receipts and cash disbursements that are relatively equal. The sewer operations infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how these will be funded.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The Village's Funds

Total governmental funds had receipts of \$360,249 and disbursements of \$282,761. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$66,436 as the result of disbanding the Police Department and contracting those services thru the County Sheriffs Department.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above the original budgeted receipts due to sale of the police cruisers, increased interest receipts and income taxes.

Final disbursements were budgeted at \$410,000 while actual disbursements were \$186,786. The Village spent well under appropriated amounts in anticipation of upcoming projects for 2006 thru 2010.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Village's outstanding debt included \$389,704 in a zero interest free loan form Ohio Public Works Commission for the Water Tower. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the municipal income tax, gasoline tax, state grants, local government sales and use tax and local government revenue assistance. Our newly prepared financial forecast predicts a decrease of assets in 2006 of 30 to 35%; therefore, the finance committee, Village Council and Board of Public Affairs will be looking at the services being provided and the corresponding revenues for those services.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Tony Fessler, Fiscal Officer, Village of Pleasant Hill, P.O. Box 557, Pleasant Hill, Ohio 45359.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005**

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$402,740	\$124,791	\$527,531
Total Assets	<u>\$402,740</u>	<u>\$124,791</u>	<u>\$527,531</u>
Net Assets			
Restricted for:			
Capital Projects		8,748	8,748
Other Purposes	143,617		143,617
Unrestricted	<u>259,123</u>	<u>116,043</u>	<u>375,166</u>
Total Net Assets	<u>\$402,740</u>	<u>\$124,791</u>	<u>\$527,531</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts	
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities		
Security of Persons and Property	\$59,502	\$13,058
Public Health Services	39,542	23,135
Leisure Time Activities	5,451	
Transportation	44,375	\$62,180
General Government	115,648	
Capital Outlay	18,243	
Total Governmental Activities	282,761	36,193
Business Type Activities		
Water Operating	81,462	90,041
Sewer Operating	85,389	77,850
Water Line and Tower Improvements	29,384	24,964
Refuse	73,998	79,031
Total Business Type Activities	270,233	271,886
Total Primary Government	\$552,994	\$308,079

General Receipts

Property Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Earnings on Investments
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$46,444)		(\$46,444)
(16,407)		(16,407)
(5,451)		(5,451)
17,805		17,805
(115,648)		(115,648)
(18,243)		(18,243)
(184,388)		(184,388)
	\$10,578	10,578
	(7,539)	(7,539)
	(4,420)	(4,420)
	5,033	5,033
	3,652	3,652
(\$184,388)	\$3,652	(\$180,736)
\$19,758		\$19,758
139,558		139,558
60,039		60,039
15,002		15,002
27,519	\$117	27,636
261,876	117	261,993
77,488	3,769	81,257
325,252	121,022	446,274
\$402,740	\$124,791	\$527,531

VILLAGE OF PLEASANT HILL
MIAMI COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General</u>	<u>Street Const. Maint. Rep.</u>	<u>Cemetery</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$259,123	\$104,780	\$20,136	\$18,701	\$402,740
Total Assets	<u>\$259,123</u>	<u>\$104,780</u>	<u>\$20,136</u>	<u>\$18,701</u>	<u>\$402,740</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	259,123				259,123
Special Revenue Funds		104,780	20,136	18,701	143,617
Total Fund Balances	<u>\$259,123</u>	<u>\$104,780</u>	<u>\$20,136</u>	<u>\$18,701</u>	<u>\$402,740</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Street Const. Maint. Rep.</u>	<u>Cemetery</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receipts					
Property and Other Local Taxes	\$19,758			\$6,426	\$26,184
Municipal Income Taxes	139,558				139,558
Intergovernmental	60,039	\$46,641		9,113	115,793
Special Assessments		1,952		13,058	15,010
Charges for Services	339		\$23,238		23,577
Fines, Licenses and Permits	340				340
Earnings on Investments	11,772	2,722		508	15,002
Miscellaneous	14,323			837	15,160
Total Receipts	<u>246,129</u>	<u>51,315</u>	<u>23,238</u>	<u>29,942</u>	<u>350,624</u>
Disbursements					
Current:					
Security of Persons and Property	46,668			12,834	59,502
Public Health Services			39,542		39,542
Leisure Time Activities	5,451				5,451
Transportation	776	23,712		19,887	44,375
General Government	115,648				115,648
Capital Outlay	18,243				18,243
Total Disbursements	<u>186,786</u>	<u>23,712</u>	<u>39,542</u>	<u>32,721</u>	<u>282,761</u>
Excess of Receipts Over (Under) Disbursements	<u>59,343</u>	<u>27,603</u>	<u>(16,304)</u>	<u>(2,779)</u>	<u>67,863</u>
Other Financing Sources (Uses)					
Other Financing Sources	<u>7,093</u>	<u>1,522</u>		<u>1,010</u>	<u>9,625</u>
Total Other Financing Sources (Uses)	<u>7,093</u>	<u>1,522</u>		<u>1,010</u>	<u>9,625</u>
Net Change in Fund Balances	66,436	29,125	(16,304)	(1,769)	77,488
Fund Balances Beginning of Year	<u>192,687</u>	<u>75,655</u>	<u>36,440</u>	<u>20,470</u>	<u>325,252</u>
Fund Balances End of Year	<u>\$259,123</u>	<u>\$104,780</u>	<u>\$20,136</u>	<u>\$18,701</u>	<u>\$402,740</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$19,000	\$19,758	\$19,758	
Municipal Income Taxes	129,000	139,558	139,558	
Intergovernmental	61,190	60,039	60,039	
Charges for Services	1,500	339	339	
Fines, Licenses and Permits	200	340	340	
Earnings on Investments	4,000	11,772	11,772	
Miscellaneous	50	14,323	14,323	
Total receipts	<u>214,940</u>	<u>246,129</u>	<u>246,129</u>	
Disbursements				
Current:				
Security of Persons and Property	98,800	98,700	46,668	\$52,032
Leisure Time Activities	10,500	10,500	5,451	5,049
Community Environment	100	100		100
Transportation	6,300	6,300	776	5,524
General Government	134,040	134,140	115,648	18,492
Capital Outlay	160,260	160,260	18,243	142,017
Total Disbursements	<u>410,000</u>	<u>410,000</u>	<u>186,786</u>	<u>223,214</u>
Excess of Receipts Over (Under) Disbursements	<u>(195,060)</u>	<u>(163,871)</u>	<u>59,343</u>	<u>223,214</u>
Other Financing Sources (Uses)				
Other Financing Sources	5,000	7,093	7,093	
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>7,093</u>	<u>7,093</u>	
Net Change in Fund Balance	(190,060)	(156,778)	66,436	223,214
Fund Balance Beginning of Year	<u>192,687</u>	<u>192,687</u>	<u>192,687</u>	
Fund Balance End of Year	<u><u>\$2,627</u></u>	<u><u>\$35,909</u></u>	<u><u>\$259,123</u></u>	<u><u>\$223,214</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$41,400	\$46,641	\$46,641	
Special Assessments	1,900	1,952	1,952	
Earnings on Investments	600	2,722	2,722	
Total receipts	<u>43,900</u>	<u>51,315</u>	<u>51,315</u>	
Disbursements				
Current:				
Transportation	43,600	43,600	23,712	\$19,888
Capital Outlay	75,000	75,000		75,000
Total Disbursements	<u>118,600</u>	<u>118,600</u>	<u>23,712</u>	<u>94,888</u>
Excess of Receipts Over (Under) Disbursements	<u>(74,700)</u>	<u>(67,285)</u>	<u>27,603</u>	<u>94,888</u>
Other Financing Sources (Uses)				
Other Financing Sources	<u>100</u>	<u>1,522</u>	<u>1,522</u>	
Total Other Financing Sources (Uses)	<u>100</u>	<u>1,522</u>	<u>1,522</u>	
Net Change in Fund Balance	(74,600)	(65,763)	29,125	94,888
Fund Balance Beginning of Year	<u>75,655</u>	<u>75,655</u>	<u>75,655</u>	
Fund Balance End of Year	<u><u>\$1,055</u></u>	<u><u>\$9,892</u></u>	<u><u>\$104,780</u></u>	<u><u>\$94,888</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
CEMETERY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Charges for Services	\$19,900	\$23,238	\$23,238	
Total receipts	<u>19,900</u>	<u>23,238</u>	<u>23,238</u>	
Disbursements				
Current:				
Public Health Services	56,000	56,000	39,542	\$16,458
Total Disbursements	<u>56,000</u>	<u>56,000</u>	<u>39,542</u>	<u>16,458</u>
Excess of Receipts Over (Under) Disbursements	<u>(36,100)</u>	<u>(32,762)</u>	<u>(16,304)</u>	<u>16,458</u>
Net Change in Fund Balance	(36,100)	(32,762)	(16,304)	16,458
Fund Balance Beginning of Year	<u>36,440</u>	<u>36,440</u>	<u>36,440</u>	
Fund Balance End of Year	<u><u>\$340</u></u>	<u><u>\$3,678</u></u>	<u><u>\$20,136</u></u>	<u><u>\$16,458</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2005**

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Water Line and Tower Improvement</u>	<u>Refuse</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$82,600</u>	<u>\$25,129</u>	<u>\$8,748</u>	<u>\$8,314</u>	<u>\$124,791</u>
Total Assets	<u><u>\$82,600</u></u>	<u><u>\$25,129</u></u>	<u><u>\$8,748</u></u>	<u><u>\$8,314</u></u>	<u><u>\$124,791</u></u>
Net Assets					
Restricted for Capital Outlay			8,748		8,748
Unrestricted	<u>82,600</u>	<u>25,129</u>	<u></u>	<u>8,314</u>	<u>116,043</u>
Total Net Assets	<u><u>\$82,600</u></u>	<u><u>\$25,129</u></u>	<u><u>\$8,748</u></u>	<u><u>\$8,314</u></u>	<u><u>\$124,791</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Water Line and Tower Improvement</u>	<u>Refuse</u>	<u>Total Enterprise Funds</u>
Operating Receipts					
Charges for Services	\$90,041	\$77,850		\$79,031	\$246,922
Total Operating Receipts	<u>90,041</u>	<u>77,850</u>		<u>79,031</u>	<u>246,922</u>
Operating Disbursements					
Personal Services	24,874	25,004		2,690	52,568
Employee Fringe Benefits	8,588	8,538		1,041	18,167
Contractual Services	19,319	25,209		70,267	114,795
Supplies and Materials	7,719	14,657			22,376
Other	3,819	1,533			5,352
Total Operating Disbursements	<u>64,319</u>	<u>74,941</u>		<u>73,998</u>	<u>213,258</u>
Operating Income (Loss)	<u>25,722</u>	<u>2,909</u>		<u>5,033</u>	<u>33,664</u>
Non-Operating Receipts (Disbursements)					
Intergovernmental	1,999				1,999
Special Assessments			\$24,964		24,964
Miscellaneous Receipts	104	13			117
Capital Outlay	(17,143)	(10,448)	(8,319)		(35,910)
Principal Payments			(21,065)		(21,065)
Total Non-Operating Receipts (Disbursements)	<u>(15,040)</u>	<u>(10,435)</u>	<u>(4,420)</u>		<u>(29,895)</u>
Income (Loss) before Transfers and Advances	<u>10,682</u>	<u>(7,526)</u>	<u>(4,420)</u>	<u>5,033</u>	<u>3,769</u>
Net Assets Beginning of Year	<u>71,918</u>	<u>32,655</u>	<u>13,168</u>	<u>3,281</u>	<u>121,022</u>
Net Assets End of Year	<u><u>\$82,600</u></u>	<u><u>\$25,129</u></u>	<u><u>\$8,748</u></u>	<u><u>\$8,314</u></u>	<u><u>\$124,791</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF PLEASANT HILL
MIAMI COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2005

	<u>Private Purpose Trust</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,105</u>
Net Assets	
Restricted for Other Purposes	<u>\$18,105</u>
Total Net Assets	<u>\$18,105</u>

See accompanying notes to the basic financial statements.

VILLAGE OF PLEASANT HILL
MIAMI COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Private Purpose Trust</u>
Additions	
Interest	\$579
Deductions	
Payments in Accordance with Trust Agreements	<u>577</u>
Change in Net Assets	2
Net Assets - Beginning of Year	<u>18,103</u>
Net Assets - End of Year	<u><u>\$18,105</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. REPORTING ENTITY

The Village of Pleasant Hill, Miami County, Ohio, is a political body established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie. The Board of Public Affairs is directed by a three member Board elected at large for four year terms.

A. Primary Government

The primary government consists of all funds, departments and boards that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads, park operations, and police 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

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprises funds. Following are the more significant issues of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type. Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary, and fiduciary.

1. Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Construction Maintenance Repairs Fund, and Cemetery Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction Maintenance Repair Fund is used to account for financial matters related to streets other than the State Highways. The Cemetery Fund is used to account for grave and burial fees and the related expenses for Cemetery upkeep. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Operating, Sewer Operating, Water Line and Tower Improvements, and Refuse funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Water Line and Tower Improvements – This fund accounts for the capital provision of water lines and water tower needed to provide services to the residents and commercial users within and near the Village limits.

Refuse Fund – This fund accounts for the provision of refuse collection services to the residents and commercial users within the Village limits.

3. Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Oakes Beiteman Building Fund (Expendable Trust Fund) - This fund receives interest earnings to be used for upkeep of a library building.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, function, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$11,772.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Village has no lease obligations.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street lights, cemetery, and streets.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Restatement of Fund Equity

Government-Wide Financial Statement Adjustments:	General	Other Governmental	Governmental Activities
Fund Balance December 31, 2004	\$192,687	\$150,668	\$343,355
Reclass of Fiduciary Fund		(18,103)	(18,103)
Adjusted Fund Balance December 31, 2004	\$192,687	\$132,565	\$325,252
Governmental Activities Net Assets December 31, 2004			\$325,252

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, street construction maintenance and repair fund and the cemetery fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

5. DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$351,692 of the Village's bank balance of \$510,359 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of December 31, 2005, the Village had the following investment:

	Carrying Value	Maturity
STAR Ohio	<u>\$45,294</u>	30 days

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's has no investment policy other than state statutes that addresses interest rate risk.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

The STAR Ohio carries a rating of AAAm by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

6. INCOME TAXES

The Village levies a .75 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

7. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

7. PROPERTY TAXES (Continued)

The full tax rate for all Village operations for the year ended December 31, 2005, was \$1.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$13,780,430
Commercial/Industrial/Mineral	631,130
Public Utility Property	
Personal	335,280
Tangible Personal Property	206,670
Total Assessed Value	<u>\$14,953,510</u>

8. RISK MANAGEMENT

The Village is insured by EMC Insurance Companies located at 1520 Madison Road, Cincinnati, Ohio.

Property coverage contracts protect against losses, subject to a deductible of \$250, limited to an annual aggregate loss of \$2,000,000.

9. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$17,839, \$19,216, and \$17,939 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

10. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

11. DEBT

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance 12/31/200</u>	<u>Addition</u>	<u>Deletions</u>	<u>Balance 12/31/200</u>	<u>Due within One Year</u>
Ohio Public Works Commission Loan	0%	\$410,769		(\$21,065)	\$389,704	\$21,065

The Ohio Water Development Authority (OWDA) loan relates to the construction of a water tower completed in 2004. The zero interest loan will be repaid in semiannual installments of \$10,533, over 19 years. The loan is secured by the Water Line and Tower Improvement Fund receipts charged to residents and non residents that use the Village water. The Village has agreed to set rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

11. DEBT (Continued)

The following is a summary of the Village's future annual debt service requirements:

<u>Year Ended December 31</u>	<u>OPWC Loan</u>
2006	\$21,065
2007	21,065
2008	21,065
2009	21,065
2010	21,065
2011-2015	105,325
2016-2020	105,325
2021-2024	<u>73,729</u>
Total	<u><u>\$389,704</u></u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

12. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The Village currently has a construction commitment for the Long Street Project which will use an estimate of \$224,242 of the current fund balances with a \$130,000 expected to come from the Street Construction Maintenance and Repair Fund; \$53,334 expected to come from the water fund; and \$40,908 expected to come from the General Fund.

13. SUBSEQUENT EVENTS

The Village, after year end, purchased a 1991 Ford 4630 tractor and flail mower from Newton Township for \$10,000.

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Auditor of State Betty Montgomery

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

Village of Pleasant Hill
Miami County
P.O. Box 557
Pleasant Hill, Ohio 45359

To the Village Council:

We have audited the financial statements of the Village of Pleasant Hill, Miami County, (the Village), as of and for the year ended December 31, 2005, and have issued our report thereon dated September 20, 2006, wherein we noted the Village revised its financial statements for 2005, making them comparable to the requirements of governmental Auditing Standard Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 20, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated September 20, 2006, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Village of Pleasant Hill
Miami County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 20, 2006



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF PLEASANT HILL

MIAMI 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
NOVEMBER 9, 2006**