



Mary Taylor, CPA
Auditor of State

VILLAGE OF PLEASANT HILL
MIAMI COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

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Mary Taylor, CPA
Auditor of State

November 18, 2008

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Mary Taylor, CPA

Auditor of State

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 Village of Pleasant Hill, Miami County, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

During 2006, the Village changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Pleasant Hill, Miami County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

November 18, 2008

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$20,816	\$6,329		\$27,145
Municipal Income Tax	163,105			163,105
Intergovernmental	65,979	55,102	\$33,150	154,231
Special Assessments	2,541	19,077		21,618
Charges for Services	1,931	21,564		23,495
Fines, Licenses and Permits	4,476			4,476
Earnings on Investments	30,075	2,870		32,945
Miscellaneous	766			766
Total Cash Receipts	<u>289,689</u>	<u>104,942</u>	<u>33,150</u>	<u>427,781</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	25,000	16,359		41,359
Public Health Services		15,345		15,345
Leisure Time Activities	3,742			3,742
Transportation	8,645	9,712		18,357
General Government	137,622			137,622
Capital Outlay	75,555	13,800	33,150	122,505
Total Cash Disbursements	<u>250,564</u>	<u>55,216</u>	<u>33,150</u>	<u>338,930</u>
Total Receipts Over/(Under) Disbursements	<u>39,125</u>	<u>49,726</u>		<u>88,851</u>
Other Financing Receipts / (Disbursements):				
Other Financing Sources		93		93
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	39,125	49,819		88,944
Fund Cash Balances, January 1	<u>300,053</u>	<u>50,096</u>		<u>350,149</u>
Fund Cash Balances, December 31	<u>\$339,178</u>	<u>\$99,915</u>		<u>\$439,093</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$315,102		\$315,102
Total Operating Cash Receipts	<u>315,102</u>		<u>315,102</u>
Operating Cash Disbursements:			
Personal Services	49,807		49,807
Employee Fringe Benefits	13,651		13,651
Contractual Services	118,420	\$274	118,694
Supplies and Materials	25,182	533	25,715
Other	2,426		2,426
Total Operating Cash Disbursements	<u>209,486</u>	<u>807</u>	<u>210,293</u>
Operating Income/(Loss)	<u>105,616</u>	<u>(807)</u>	<u>104,809</u>
Non-Operating Cash Receipts:			
Special Assessments	62,961		62,961
Earnings on Investments		546	546
Miscellaneous Receipts	1,755		1,755
Total Non-Operating Cash Receipts	<u>64,716</u>	<u>546</u>	<u>65,262</u>
Non-Operating Cash Disbursements:			
Capital Outlay	(3,611)		(3,611)
Redemption of Principal	(21,065)		(21,065)
Total Non-Operating Cash Disbursements	<u>(24,676)</u>		<u>(24,676)</u>
Net Receipts Over/(Under) Disbursements	145,656	(261)	145,395
Fund Cash Balances, January 1	<u>162,256</u>	<u>11,100</u>	<u>173,356</u>
Fund Cash Balances, December 31	<u>\$307,912</u>	<u>\$10,839</u>	<u>\$318,751</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$20,590	\$6,350		\$26,940
Municipal Income Tax	145,858			145,858
Intergovernmental	61,484	54,693	\$49,589	165,766
Special Assessments	12,784	24,945		37,729
Charges for Services	1,929	21,655		23,584
Fines, Licenses and Permits	4,664			4,664
Earnings on Investments	20,317	2,602		22,919
Miscellaneous	1,322			1,322
Total Cash Receipts	<u>268,948</u>	<u>110,245</u>	<u>49,589</u>	<u>428,782</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	26,547	15,096		41,643
Public Health Services		39,961		39,961
Leisure Time Activities	5,475			5,475
Community Environment	100			100
Transportation	1,331	15,009		16,340
General Government	127,247			127,247
Capital Outlay	69,028	133,700	49,589	252,317
Total Cash Disbursements	<u>229,728</u>	<u>203,766</u>	<u>49,589</u>	<u>483,083</u>
Total Receipts Over/(Under) Disbursements	<u>39,220</u>	<u>(93,521)</u>		<u>(54,301)</u>
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets	1,630			1,630
Advances-In	458	458		916
Advances-Out	(458)	(458)		(916)
Total Other Financing Receipts / (Disbursements)	<u>1,630</u>			<u>1,630</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	40,850	(93,521)		(52,671)
Fund Cash Balances, January 1	<u>259,203</u>	<u>143,617</u>		<u>402,820</u>
Fund Cash Balances, December 31	<u>300,053</u>	<u>50,096</u>		<u>350,149</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$299,690		\$299,690
Total Operating Cash Receipts	<u>299,690</u>		<u>299,690</u>
Operating Cash Disbursements:			
Personal Services	48,367		48,367
Employee Fringe Benefits	16,010		16,010
Contractual Services	120,870		120,870
Supplies and Materials	28,138	\$7,659	35,797
Other	3,437		3,437
Total Operating Cash Disbursements	<u>216,822</u>	<u>7,659</u>	<u>224,481</u>
Operating Income/(Loss)	<u>82,868</u>	<u>(7,659)</u>	<u>75,209</u>
Non-Operating Cash Receipts:			
Special Assessments	43,379		43,379
Earnings on Investments		704	704
Miscellaneous Receipts	248		248
Total Non-Operating Cash Receipts	<u>43,627</u>	<u>704</u>	<u>44,331</u>
Non-Operating Cash Disbursements:			
Capital Outlay	(67,965)		(67,965)
Redemption of Principal	(21,065)		(21,065)
Total Non-Operating Cash Disbursements	<u>(89,030)</u>		<u>(89,030)</u>
Net Receipts Over/(Under) Disbursements	37,465	(6,955)	30,510
Fund Cash Balances, January 1	<u>124,791</u>	<u>18,055</u>	<u>142,846</u>
Fund Cash Balances, December 31	<u><u>162,256</u></u>	<u><u>11,100</u></u>	<u><u>173,356</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Pleasant Hill, Miami County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village, elected at large for four year terms. The Mayor is elected to a four-year term and only votes to break a tie. The Board of Public Affairs is directed by a three member Board elected at large for four year terms.

The primary government consists of all funds, departments and boards that are not legally separate from the Village. The Village provides general governmental services; water and sewer utilities, maintenance of Village roads, and park operations. The Village contracts with the Miami County Sheriff's department to provide security of persons and property.

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

B. Accounting Basis

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

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

C. Cash and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Permissive Motor Vehicle License Fund -This fund receives motor vehicle tax money for constructing, maintaining, and repairing Village streets.

State Highway Fund -This fund receives gasoline and motor vehicle taxes for use in constructing, maintaining, and repairing state highways within the Village.

Cemetery Fund -This fund receives money from the sale of grave plots and burials to manage the cemetery.

Street Light Fund -This fund receives proceeds from a special assessment for street lights for Village residents.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Ohio Public Works Commission Grant for Monument Street Construction – Phase I (W SR718) - This fund receives grant monies awarded toward the W SR718 (Monument Street Phase 1) reconstruction project.

4. Enterprise Funds

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

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

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

Refuse Fund - This fund receives charges for services from residents and non-resident users to cover the cost for this utility.

Water Tower Improvement Fund - This fund receives proceeds from a special charge to resident and non-resident users for the cost of the water tower.

Sewer Improvement Fund - This fund receives proceeds from a special charge to resident and non-resident users for the future upgrade to the wastewater treatment plant.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds 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.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village's private purpose trust fund is for the benefit of village residents and the Village.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village has no agency funds.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2007	2006
Demand deposits	\$757,567	\$523,242
Total deposits	757,567	523,242
STAR Ohio	277	263
Total investments	277	263
Total deposits and investments	\$757,844	\$523,505

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2006 and 2007 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$289,690	\$289,689	(\$1)
Special Revenue	105,036	105,035	(1)
Capital Projects	33,150	33,150	
Enterprise	379,818	379,818	
Fiduciary	546	546	
Total	\$808,240	\$808,238	(\$2)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$543,740	\$250,564	\$293,176
Special Revenue	143,100	55,216	87,884
Capital Projects	33,150	33,150	
Enterprise	516,000	234,162	281,838
Fiduciary	22,600	807	21,793
Total	\$1,258,590	\$573,899	\$684,691

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$271,037	\$271,036	(\$1)
Special Revenue	110,703	110,703	
Capital Projects	49,589	49,589	
Enterprise	343,317	343,317	
Fiduciary	704	704	
Total	\$775,350	\$775,349	(\$1)

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$480,457	\$230,186	\$250,271
Special Revenue	232,800	204,224	28,576
Capital Projects	49,589	49,589	
Enterprise	396,415	305,852	90,563
Fiduciary	16,500	7,659	8,841
Total	\$1,175,761	\$797,510	\$378,251

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by February 14. If the property owner elects to pay semiannually, the first half is due February 14. The second half payment is due the following June 20.

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 0.75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$347,573	0%

The Ohio Public Works Commission (OPWC) loan relates to an elevated water storage tank replacement project that was mandated by the Ohio Environmental Protection Agency. The OPWC has approved up to \$421,301 in loans to the Village for the project. The loans will be repaid in semiannual installments of \$10,533. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, follows:

<u>Year Ended December 31</u>	<u>OPWC Loan</u>
2008	\$21,065
2009	21,065
2010	21,065
2011	21,065
2012	21,065
2013-2017	105,325
2018-2022	105,325
2023-2024	<u>31,598</u>
Total	<u><u>\$347,573</u></u>

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 9 and 9.5 percent of their wages in 2006 and 2007, respectively. The Village contributed an amount equal to 13.7 and 13.85 percent of participants' gross salaries in 2006 and 2007, respectively. The

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. CONTINGENT LIABILITIES

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

10. SUBSEQUENT EVENTS

The Village entered into agreements for the Monument Street Reconstruction Phase I and Phase II Projects with Finrock Construction Company for \$884,000 and VTF Excavation for \$983,484, on February 11, 2008 and August 11, 2008 respectively.



Mary Taylor, CPA

Auditor of State

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

Village of Pleasant 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 years ended December 31, 2007 and 2006, and have issued our report thereon dated November 18, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Additionally, we noted the Village changed its financial presentation effective for the year ended December 31, 2006. 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. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

**Internal Control over Financial Reporting
(Continued)**

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

We noted certain internal control matters that we reported to the Village's management in a separate letter dated November 18, 2008.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2007-001.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated November 18, 2008.

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



Mary Taylor, CPA
Auditor of State

November 18, 2008

VILLAGE OF PLEASANT HILL
MIAMI COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Material Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund, free from any previous encumbrance.

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

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

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

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 42% of the expenditure items tested and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending fund and negative cash fund balances.

**FINDING NUMBER 2007-001
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village's Fiscal Officer certifies that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification prior to the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

Officials Response:

We did not receive a response from officials to this finding.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 18, 2008**