



**Auditor of State  
Betty Montgomery**



VILLAGE OF PLEASANT HILL  
MIAMI COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S 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, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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's financial transactions were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Miami County  
Independent Accountant's Report  
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This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

May 12, 2004

VILLAGE OF PLEASANT HILL  
MIAMI COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$18,795	\$40,147		\$58,942
Intergovernmental Receipts	60,248	43,136		103,384
Special Assessments		38,849		38,849
Charges for Services		22,626		22,626
Fines, Licenses, and Permits	200			200
Earnings on Investments	4,783	126	\$367	5,276
Miscellaneous	1,312			1,312
	<u>85,338</u>	<u>144,884</u>	<u>367</u>	<u>230,589</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	72,933	47,925		120,858
Public Health Services		22,616		22,616
Leisure Time Activities	5,589		1,085	6,674
Transportation		17,947		17,947
General Government	78,391			78,391
Capital Outlay	35,085	7,987	2,865	45,937
	<u>191,998</u>	<u>96,475</u>	<u>3,950</u>	<u>292,423</u>
Total Receipts Over/(Under) Disbursements	<u>(106,660)</u>	<u>48,409</u>	<u>(3,583)</u>	<u>(61,834)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	70,007			70,007
Advances-In	7,000	7,000		14,000
Advances-Out	(7,000)	(7,000)		(14,000)
Other Financing Sources	12,146	326		12,472
	<u>82,153</u>	<u>326</u>		<u>82,479</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(24,507)	48,735	(3,583)	20,645
Fund Cash Balances, January 1	<u>144,957</u>	<u>57,394</u>	<u>27,848</u>	<u>230,199</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$120,450</u></b>	<b><u>\$106,129</u></b>	<b><u>\$24,265</u></b>	<b><u>\$250,844</u></b>

*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 SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$221,221		\$221,221
<b>Operating Cash Disbursements:</b>			
Personal Services	53,964		53,964
Fringe Benefits	17,515		17,515
Contractual Services	107,088	\$6,820	113,908
Supplies and Materials	29,390	1,497	30,887
Other	24,545		24,545
Capital Outlay	471,271		471,271
Total Operating Cash Disbursements	<u>703,773</u>	<u>8,317</u>	<u>712,090</u>
Operating Income/(Loss)	<u>(482,552)</u>	<u>(8,317)</u>	<u>(490,869)</u>
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes		78,324	78,324
Special Assessments	24,924		24,924
Other Debt Proceeds	338,087		338,087
Other Non-Operating Receipts	697		697
Total Non-Operating Cash Receipts	<u>363,708</u>	<u>78,324</u>	<u>442,032</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(118,844)	70,007	(48,837)
Transfers-Out		(70,007)	(70,007)
Net Receipts Over/(Under) Disbursements	(118,844)		(118,844)
Fund Cash Balances, January 1	<u>248,625</u>		<u>248,625</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$129,781</u></b>		<b><u>\$129,781</u></b>

*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 AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$36,503	\$40,412		\$76,915
Intergovernmental Receipts	69,789	89,190		158,979
Special Assessments		8,716		8,716
Charges for Services		34,095		34,095
Fines, Licenses, and Permits	25			25
Earnings on Investments	8,895	413	\$1,670	10,978
Miscellaneous	11,039	34	111	11,184
	<u>126,251</u>	<u>172,860</u>	<u>1,781</u>	<u>300,892</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	47,165	56,509		103,674
Public Health Services		20,227		20,227
Leisure Time Activities	2,525		708	3,233
Transportation	428	34,107		34,535
General Government	83,884			83,884
Capital Outlay	14,054	149,799	38,260	202,113
	<u>148,056</u>	<u>260,642</u>	<u>38,968</u>	<u>447,666</u>
Total Receipts Over/(Under) Disbursements	<u>(21,805)</u>	<u>(87,782)</u>	<u>(37,187)</u>	<u>(146,774)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	3,263			3,263
Transfers-Out	(223)	(3,263)		(3,486)
Other Financing Sources	8,995	284		9,279
	<u>12,035</u>	<u>(2,979)</u>		<u>9,056</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,770)	(90,761)	(37,187)	(137,718)
Fund Cash Balances, January 1	<u>154,727</u>	<u>148,155</u>	<u>65,035</u>	<u>367,917</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$144,957</u></b>	<b><u>\$57,394</u></b>	<b><u>\$27,848</u></b>	<b><u>\$230,199</u></b>
Reserves for Encumbrances, December 31	<u>\$161</u>	<u>\$17</u>		<u>\$178</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 SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$221,112
Miscellaneous	1,172
	222,284
Total Operating Cash Receipts	222,284
<b>Operating Cash Disbursements:</b>	
Personal Services	50,951
Fringe Benefits	14,587
Contractual Services	118,286
Supplies and Materials	12,731
Other	8,363
Capital Outlay	7,960
	212,878
Total Operating Cash Disbursements	212,878
Operating Income/(Loss)	9,406
<b>Non-Operating Cash Receipts:</b>	
Special Assessment	24,930
	24,930
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	34,336
Transfers-In	85,172
Transfers-Out	(84,948)
	34,560
Net Receipts Over/(Under) Disbursements	34,560
Fund Cash Balances, January 1	214,065
	214,065
<b>Fund Cash Balances, December 31</b>	<b>\$248,625</b>
Reserve for Encumbrances, December 31	\$102

*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, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Pleasant Hill, Miami County, (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides water and sewer utilities, and police services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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

**2. Special Revenue Fund**

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

**Street Construction, Maintenance and Repair Fund** - This fund receives gasoline tax and motor vehicle 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 state highway streets through the Village.

**Police Levy Fund** – This fund receives proceeds from a property tax levy for police protection for Village residents.

**VILLAGE OF PLEASANT HILL  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Street Lights Funds** – This fund receives proceeds from a special assessment for street lights for Village residents.

**3. Enterprise Funds**

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

**Water Fund** - This fund receives charges for services from residents to cover the cost of providing this utility.

**Sewer Fund** - This fund receives charges for services from residents to cover the cost of providing this utility.

**Refuse Fund** – This fund receives charges for services for residents to cover the cost of providing this utility.

**Enterprise Improvement Fund** – This fund receives proceeds from a special assessment for the cost of the water tower.

**OPWC Fund** - This fund receives proceeds of a loan from the Ohio Public Works Commission (OPWC) for the purpose of building an elevated water storage tank.

**4. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

**Expendable Trust Funds**

**Oakes Beiteman Building Fund** – This fund receives interest earnings to be used for upkeep of the building.

**Oakes Beiteman Museum Fund** – This fund receives interest earnings to be used for Museum purposes.

**Agency Fund**

**Income Tax Fund** – This Fund receives proceeds from residents and employees working in the Village to supplement the expenses for the Village.

**VILLAGE OF PLEASANT HILL  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 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 unencumbered 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber a significant amount of its commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<b>2003</b>	<b>2002</b>
Demand deposits	\$37,113	\$62,510
Certificates of deposit	56,320	57,853
Total deposits	93,433	120,363
 STAR Ohio	 287,192	 358,461
Total deposits and investments	\$380,625	\$478,824

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village.

**Investments:** Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF PLEASANT HILL  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**2003 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$103,897	\$174,491	\$70,594
Special Revenue	111,745	152,210	40,465
Enterprise	249,250	584,929	335,679
Fiduciary	25,500	78,691	53,191
Total	<u>\$490,392</u>	<u>\$990,321</u>	<u>\$499,929</u>

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$252,930	\$198,998	\$53,932
Special Revenue	144,904	103,475	41,429
Enterprise	400,717	703,773	(303,056)
Fiduciary	104,725	82,274	22,451
Total	<u>\$903,276</u>	<u>\$1,088,520</u>	<u>(\$185,244)</u>

**2002 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$118,973	\$138,509	\$19,536
Special Revenue	102,844	173,144	70,300
Enterprise	219,000	332,386	113,386
Fiduciary	1,600	1,781	181
Total	<u>\$442,417</u>	<u>\$645,820</u>	<u>\$203,403</u>

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$273,750	\$148,440	\$125,310
Special Revenue	250,824	263,922	(13,098)
Enterprise	431,503	297,928	133,575
Fiduciary	66,635	38,968	27,667
Total	<u>\$1,022,712</u>	<u>\$749,258</u>	<u>\$273,454</u>

The Village did not post the OPWC loan proceeds on the village records, nor was the money appropriated. The funds were disbursed directly from the OPWC to the contractor. The financial statements reflect a memo entry for both the receipt and disbursement in the amount of \$338,087.

**VILLAGE OF PLEASANT HILL  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. PROPERTY TAX**

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

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. INCOME TAX**

The Village levies a municipal income tax of .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, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Work Commission	\$338,087	0.00%

The Ohio Public Work Commission (OPWC) loan relates to a elevated water storage tank replacement project that was mandated by the Ohio Environmental Protection Agency. The OPWC has approved up to \$427,500 in loans to the Village for this project. However, the Village used \$338,087, as of December 31, 2003 to pay on the project. An additional \$58,026 was spent in February, 2004 on the project. The loans will be repaid in semiannual installments of \$9,903, in over 20 years. The scheduled payment amount below assumes that \$396,113 was borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. 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, 2003 AND 2002  
(Continued)**

**6. DEBT (Continued)**

Amortization of the above debt is scheduled as follows:

	<b>OPWC Loan</b>
Year ending December 31:	
2004	\$9,903
2005	19,806
2006	19,806
2007	19,806
2008	19,806
2009 – 2013	99,028
2014 -- 2018	99,028
2019 -- 2023	99,028
2024 -- 2028	9,902
Total	\$396,113

**7. RETIREMENT SYSTEMS**

The Village’s law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants’ gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Government belongs to the Public Entities Pool of Ohio (“PEP”), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

**Casualty Coverage**

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP’s retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**VILLAGE OF PLEASANT HILL  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**Property Coverage**

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	1,890,323
Liabilities	(655,318)	(469,100)
Retained earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>

**9. RELATED PARTY TRANSACTIONS**

The Village contracted with AFI Inc., to administrate its income tax receipts and returns for the calendar years of 2003, 2004, and 2005. The tax administrator subsequently became a part-time clerk/treasurer for the village. The Village paid \$ 8,230.91 for this contract and supplies costs.

**10. SUBSEQUENT EVENT**

The Village disbursed the total fund balance in the Oakes Beiteman Museum Fund, \$394.20 at April 12, 2004, to the Oakes Beiteman Museum Board, an outside organization which oversees the museum, at the Museum Board's request. The Fund has been closed out on the Village books.

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 accompanying financial statements of the Village of Pleasant Hill, Miami County, (the Village), as of and for the years ended December 31, 2003 and 2002 and have issued our report thereon dated May 12, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 12, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 12, 2004.

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Village of Pleasant Hill  
Miami County  
Independent Accountant's Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by 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

May 12, 2004

**VILLAGE OF PLEASANT HILL  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**FINDING FOR RECOVERY – REPAID UNDER AUDIT**

William L. Davis is employed as the Police Chief for the Village. For the period January 1, 2002 through May 31, 2002, his salary was set by council at \$1,211.54, bi-weekly. For the period June 1, 2002 through January 31, 2003, his salary increased to \$1,230.77 bi-weekly. During this period, his gross pay varied from \$1,186.99 to \$1,712.18 without explanation. For the period January 1, 2002 through January 31, 2003, Mr. Davis received \$510.95 more in compensation than his approved salary.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against William L. Davis in favor of Village of Pleasant Hill Police Levy Fund in the amount of \$510.95. The Finding was repaid while under audit, as evidenced by payroll deductions from Mr. Davis.

**FINDING NUMBER 2003-002**

**Ohio Rev. Code § 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 District can authorize the drawing of a warrant fro the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$1,000 (HB 454, effective 4-7-03, increased the limit to \$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 \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. (HB 95, effective 9-25-03, eliminated the \$5,000 and 3 month restrictions). 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.

**FINDING NUMBER 2003-002**  
**(Continued)**

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 19 out of 80 transactions tested or 23.75% of the expenditures tested and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in misappropriation of monies and negative cash fund balances. 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 that Village funds will exceed budgetary spending limitations, we recommend that the Village's Clerk/Treasurer certify 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 and approved by ordinance or resolution. We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at 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.

**FINDING NUMBER 2003-003**

**AOS Bulletin 2000-008**, (This bulletin updates and combines the guidance provided in prior bulletins on State Issue II grants (MAS Bulletin 89-17) and the retainage on contracts (MAS Bulletin 89-11)) states that a local government shall include in its official or amended certificate of estimated resources the amount of Issue II monies anticipated to be received into the project fund during the fiscal year, along with its matching requirements, if appropriate. The fund appropriations should include the amount necessary to meet the obligations to be incurred during the fiscal year. If the project is not expected to be completed in the current year, the remainder of the project must be appropriated immediately in the subsequent year(s).

The Village failed to record the \$338,087 disbursed in 2003 by the Ohio Public Works Commission (OPWC) and \$49,790 disbursed in 2002 by Miami County, through its Community Development Block Grant (CDBG) on behalf of Village of Pleasant Hill. In addition, the Village failed to include the CDBG revenues in their Certificate of Estimated Resources amendments. Furthermore, the Village did not appropriate the CDBG and OPWC funding sources for the year, contrary to the above requirements. The budgetary variance as disclosed in Note 3 is a result of the Village not budgeting the activity as discussed in the Audit Bulletin. The Village should follow the guidance in AOS Bulletin 2000-008 to accurately present the Village's financial activity when State funding or on-behalf funding is received.

The financial statements for 2003 and 2002 were adjusted to present the OPWC and CDBG receipts and expenditures on behalf of the Village.

**VILLAGE OF PLEASANT HILL  
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-30355-001	The Village Clerk/Treasurer over paid the Service Superintendent by \$837.21	Yes	
2001-30355-002	The Village did not print monthly financial utility reports, reconcile them to the Village books or present them to the Board of Public Affairs	No	Partially corrected. Comment was moved to the Management Letter.

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**Auditor of State  
Betty Montgomery**

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**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  
JUNE 17, 2004**