



Dave Yost • Auditor of State

VILLAGE OF PLEASANT HILL
MIAMI COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	7
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, 2010	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	23

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Dave Yost • Auditor of State

Village of Pleasant Hill
Miami County
PO 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 13, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Pleasant Hill
Miami County
PO 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, 2011 and 2010. 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments 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, 2011 and 2010 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, 2011, or its changes in financial position or cash flows, where applicable 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Pleasant Hill, Miami County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Pleasant Hill adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2012, 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.



Dave Yost
Auditor of State

August 13, 2012

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$21,595			\$21,595
Municipal Income Tax	155,536			155,536
Intergovernmental	85,905	\$62,469	\$286,999	435,373
Special Assessments	25,794	17,550		43,344
Charges for Services	2,357	17,064		19,421
Fines, Licenses and Permits	11,254			11,254
Earnings on Investments	2,018	77		2,095
Miscellaneous	5,679			5,679
Total Cash Receipts	<u>310,138</u>	<u>97,160</u>	<u>286,999</u>	<u>694,297</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	25,000	17,104		42,104
Public Health Services		16,148		16,148
Leisure Time Activities	27,999			27,999
Transportation	8,671	7,153		15,824
General Government	107,367			107,367
Capital Outlay	246,612	8,750	286,999	542,361
Debt Service:				
Redemption of Principal	20,903			20,903
Total Cash Disbursements	<u>436,552</u>	<u>49,155</u>	<u>286,999</u>	<u>772,706</u>
Excess of Receipts Over (Under) Disbursements	<u>(126,414)</u>	<u>48,005</u>		<u>(78,409)</u>
Fund Cash Balances, January 1	<u>510,063</u>	<u>102,269</u>		<u>612,332</u>
Fund Cash Balances, December 31:				
Non-spendable		3,303		3,303
Restricted		146,971		146,971
Committed				
Assigned				
Unassigned (Deficit)	<u>383,649</u>			<u>383,649</u>
Fund Cash Balances, December 31	<u><u>\$383,649</u></u>	<u><u>\$150,274</u></u>	<u><u>\$0</u></u>	<u><u>\$533,923</u></u>

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

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$311,374		\$311,374
Earnings on Investments (trust funds only)		\$3	3
Total Operating Cash Receipts	<u>311,374</u>	<u>3</u>	<u>311,377</u>
Operating Cash Disbursements:			
Personal Services	58,427		58,427
Employee Fringe Benefits	15,002		15,002
Contractual Services	156,176	1,215	157,391
Supplies and Materials	9,501	1,123	10,624
Other	4,026		4,026
Total Operating Cash Disbursements	<u>243,132</u>	<u>2,338</u>	<u>245,470</u>
Operating Income (Loss)	<u>68,242</u>	<u>(2,335)</u>	<u>65,907</u>
Non-Operating Receipts (Disbursements):			
Special Assessments	107,297		107,297
Other Debt Proceeds	1,151,642		1,151,642
Miscellaneous Receipts	217		217
Capital Outlay	(1,314,575)		(1,314,575)
Principal Retirement	(24,754)		(24,754)
Total Non-Operating Receipts (Disbursements)	<u>(80,173)</u>		<u>(80,173)</u>
Net Change in Fund Cash Balances	<u>(11,931)</u>	<u>(2,335)</u>	<u>(14,266)</u>
Fund Cash Balances, January 1	<u>582,983</u>	<u>3,483</u>	<u>586,466</u>
Fund Cash Balances, December 31	<u>\$571,052</u>	<u>\$1,148</u>	<u>\$572,200</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, 2010**

	<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	\$22,160			\$22,160
Municipal Income Tax	155,621			155,621
Intergovernmental	87,613	\$63,313	\$8,000	158,926
Special Assessments	20,528	19,456		39,984
Charges for Services	2,499	19,573		22,072
Fines, Licenses and Permits	10,670			10,670
Earnings on Investments	9,680	83		9,763
Miscellaneous	6,274	76		6,350
Total Cash Receipts	<u>315,045</u>	<u>102,501</u>	<u>8,000</u>	<u>425,546</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	25,000	17,325		42,325
Public Health Services		12,011		12,011
Leisure Time Activities	19,450			19,450
Transportation	49,201	16,236		65,437
General Government	122,412			122,412
Debt Service:				
Redemption of Principal	20,903			20,903
Capital Outlay	3,806	23,361	8,000	35,167
Total Cash Disbursements	<u>240,772</u>	<u>68,933</u>	<u>8,000</u>	<u>317,705</u>
Total Receipts Over Disbursements	<u>74,273</u>	<u>33,568</u>		<u>107,841</u>
Fund Cash Balances, January 1	<u>435,790</u>	<u>68,701</u>		<u>504,491</u>
Fund Cash Balances, December 31	<u>\$510,063</u>	<u>\$102,269</u>	<u>\$0</u>	<u>\$612,332</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, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$316,097		\$316,097
Total Operating Cash Receipts	<u>316,097</u>		<u>316,097</u>
Operating Cash Disbursements:			
Personal Services	49,667		49,667
Employee Fringe Benefits	13,356		13,356
Contractual Services	138,695	\$2,607	141,302
Supplies and Materials	20,979		20,979
Other	3,389		3,389
Total Operating Cash Disbursements	<u>226,086</u>	<u>2,607</u>	<u>228,693</u>
Operating Income/(Loss)	<u>90,011</u>	<u>(2,607)</u>	<u>87,404</u>
Non-Operating Cash Receipts:			
Special Assessments	100,205		100,205
Earnings on Investments		8	8
Other Debt Proceeds	284,618		284,618
Miscellaneous Receipts	1,530		1,530
Total Non-Operating Cash Receipts	<u>386,353</u>	<u>8</u>	<u>386,361</u>
Non-Operating Cash Disbursements:			
Capital Outlay	302,935		302,935
Redemption of Principal	24,754		24,754
Total Non-Operating Cash Disbursements	<u>327,689</u>		<u>327,689</u>
Net Receipts Over/(Under) Disbursements	148,675	(2,599)	146,076
Fund Cash Balances, January 1	<u>434,308</u>	<u>6,082</u>	<u>440,390</u>
Fund Cash Balances, December 31	<u>\$582,983</u>	<u>\$3,483</u>	<u>\$586,466</u>
Reserve for Encumbrances, December 31	<u>\$12,583</u>	<u>\$0</u>	<u>\$12,583</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, 2011 AND 2010**

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 votes only to break a tie. The Village provides water and sewer utilities 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. Deposits 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:

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

VILLAGE OF PLEASANT HILL
MIAMI COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 funds:

Ohio Public Works Commission Grant for Church Street Construction Fund – This fund received grant money awarded toward the Church Street 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 resident and non-resident users to cover water service costs.

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

Refuse Fund – This fund receives charges for services from resident and non-resident users to cover refuse collection costs.

Water Line and 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 Fund

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.

The Village's private purpose trust fund is for the Oakes Beitman Building Fund (Expendable Trust Fund). This fund receives interest earnings to be used for upkeep of the building

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village had 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 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. 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 DEPOSITS AND INVESTMENTS

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 392,672	\$ 487,003
Certificates of deposit	713,451	711,795
Total deposits	<u>\$1,106,123</u>	<u>\$1,198,798</u>

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

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 266,814	\$ 310,138	\$ 43,324
Special Revenue	103,456	97,160	(6,296)
Capital Projects	299,999	286,999	(13,000)
Enterprise	1,943,807	1,570,530	(373,277)
Fiduciary	8	3	(5)
Total	<u>\$2,614,084</u>	<u>\$2,264,830</u>	<u>(\$349,254)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 592,331	\$ 436,552	\$155,779
Special Revenue	78,625	49,155	29,470
Capital Projects	299,999	286,999	13,000
Enterprise	2,003,528	1,582,461	421,067
Fiduciary	3,491	2,338	1,153
Total	<u>\$2,977,974</u>	<u>\$2,357,505</u>	<u>\$620,469</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 307,559	\$ 315,045	\$ 7,486
Special Revenue	94,610	102,507	7,897
Capital Projects	50,000	8,000	(42,000)
Enterprise	1,142,500	702,450	(440,050)
Fiduciary	10	8	(2)
Total	<u>\$1,594,679</u>	<u>\$1,128,010</u>	<u>(\$466,669)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 725,525	\$240,772	\$ 484,753
Special Revenue	155,800	68,933	86,867
Capital Projects	50,000		50,000
Enterprise	1,566,000	566,358	999,642
Fiduciary	6,085	2,607	3,478
	<u>\$2,503,410</u>	<u>\$878,670</u>	<u>\$1,624,740</u>

The Village did not certify the availability of funds for various expenditures prior to purchase commitment.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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 December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Miami 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, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$ 711,438	0%
Ohio Water Development Authority Loan	1,366,396	0%
Total	<u>\$2,077,834</u>	

The Ohio Public Works Commission (OPWC) loans relate to the following:

1. Elevated water storage tank replacement project the Ohio Environmental Protection Agency mandated. The OPWC had approved up to \$421,301 in loans to the Village for the project. The loans are repaid in semiannual installments of \$10,533. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.
2. Reconstruction of Monument Street with Village limits in cooperation with ODOT. The OPWC approved up to \$491,830 in loans to the Village for the project. The loans are repaid in semiannual installments of \$12,296. The loans are paid out of the General Fund and Water Line and Tower Improvement Fund.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,733,200 in loans to the Village for this project. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The project has not been completed and no amortization schedule is available.

**VILLAGE OF PLEASANT HILL
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. DEBT (Continued)

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

<u>Year Ending December 31:</u>	<u>OPWC Loan – Water Storage Tank</u>	<u>OPWC Loan – West Monument Street</u>	<u>OPWC Loan – East Monument Street</u>
2012	\$ 21,065	\$ 10,109	\$ 14,483
2013	21,065	10,109	14,483
2014	21,065	10,109	14,483
2015	21,065	10,109	14,483
2016	21,065	10,109	14,483
2017-2021	105,325	50,545	72,413
2022-2026	63,195	50,545	72,413
2027-2031	25,273	25,273	43,444
Total	<u>\$273,845</u>	<u>\$176,908</u>	<u>\$260,685</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 prescribed the plan's retirement benefits, including postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

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. The grantor 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 EVENT

In February 2012, the Village authorized a contract with Shinn Bros., Inc. in the amount of \$822,144.25 for the South Main Street Reconstruction Project. The project will be funded with an interest free loan from the Ohio Public Works Commission. The project is expected to begin and be completed during 2012.

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Dave Yost • 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
PO 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, 2011 and 2010, and have issued our report thereon dated August 13, 2011, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Rev. Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Rev. Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We also noted that the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for year ending December 31, 2011. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 and 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 13, 2012.

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion it.

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



Dave Yost
Auditor of State

August 13, 2012

VILLAGE OF PLEASANT HILL
MIAMI COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001

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 certificate, blanket certificates and super blanket certificates, which are provided for in the sections 5705.41(D) 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 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 Village can authorize the drawing or a warrant for the payment of the amount due. The Village has thirty days from 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 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. 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 contract 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. The certification is not to extend beyond the current year. More than one super blanket certificate may not 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 11.9% of expenditures tested and the exceptions listed above were not utilized. Additionally, the Village had one Super Blanket Certificate carryover from 2010 into 2011, and had two Super Blanket Certificates carry over from 2011 into 2012. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

**FINDING NUMBER 2011-001
(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 certify that 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 Village should sign the certification at the time a commitment is incurred and only when the requirements of 5705.41(D) are satisfied. The Village 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 for this finding.

FINDING NUMBER 2011-002

Noncompliance Citation

Ohio Rev. Code Section 2921.42(A)(1), prohibits public officials from knowingly authorizing or employing the authority or influence of the public official's office to secure authorization of any public contract in which a member of the public official's family has an interest. **Ohio Rev. Code Section 102.03(D)** states that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties. Ohio Ethics Law and related statutes prohibit public officials and employees from using their official positions for their own personal benefit, for the benefit of their family members or business associates, or where there is an otherwise conflict of interest. See Ohio Ethics Commission Advisory Opinions 98-003 and 97-004.

Contrary to the aforementioned requirements, the President of the Board of Public Affairs, Stanley Fessler, failed to abstain from the vote regarding the nomination of his brother, Von Fessler, to an open seat on the Board of Public Affairs during the August 16, 2010 meeting.

Policies and procedures should be developed and implemented to verify that the Board members disclose all of their conflicts of interest and abstain from voting on any matters in which there is an actual or apparent conflict of interest. Failure to do so could result in Board members approving items that are in the best interest of the related party and not the Village.

A referral letter will be sent to the Ohio Ethics Commission.

Officials' Response:

Chester Wolfe, member of the Village of Pleasant Hill Board of Public Affairs (BPA), resignation was accepted at the August 16, 2010 meeting. However, BPA members knew of the pending resignation at the end of the June 2010 meeting, but with no meeting held in July 2010, they could not act on the resignation until the August 16, 2010 meeting. Pleasant Hill is a small community and we have a difficult time finding individuals that want to serve on the BPA or Council. The last several elections no one filed a petition to run for the BPA positions and each time, individuals had to be appointed to the four year terms.

**FINDING NUMBER 2011-002
(Continued)**

Mayor Johnston knowing Von Fessler's background and skill sets thought that he would make a good candidate for the position. He convinced Von Fessler to submit his name to the BPA as a potential candidate. At the August 16, 2010 meeting, Kory Krofft moved to nominate Von Fessler, the only individual to submit his name, to Village Council as the new member of the Board of Public Affairs. Mr. Stan Fessler seconded the motion. The vote was 2-0 to nominate Von Fessler as the new member of the BPA. Fiscal Officer Marko read to Council the BPA recommendation to appoint Von Fessler to fill the vacated seat of Chester Wolfe. Donna Favorite moved to appoint Von Fessler to the BPA for the unexpired term of Chester Wolfe. Kreg Hollenbacher seconded the motion. Motion passed and Von Fessler was appointed to the BPA.

The action taken by the BPA and the Council clearly shows that Stan Fessler's actions taken at the August 16, 2010 meeting is not a conflict. Without Stan Fessler seconding the nomination of Von Fessler to the Council for approval, the motion would have died for lack of a second. If Stan Fessler would have abstained from voting, the vote would have been 1 yea and 1 abstention. The nomination would still have been presented to Council at the next meeting. Further, everyone in the Village Council knew of the relationship. Stan and Von and were glad that someone stepped forward to volunteer for the BPA position.

Also, Village Council actually appointed Von Fessler to fill out the unexpired term of Chester Wolfe. The BPA only recommended Von Fessler to the Village Council. The Village of Pleasant Hill does not believe that a referral letter to the Ohio Ethics Commission is necessary and this finding should be removed from the report.

Auditor of State Conclusion:

Ohio Revised Code Section 2921.42(A)(1) prohibits public officials from utilizing their authority or influence which includes a nomination to Village Council for approval.

FINDING NUMBER 2011-003

Material Weakness

Financial Statement Misstatements

The Village prepared its annual financial statements in accordance with accounting practices the Auditor of State prescribes or permits. The Village's Annual Financial Report for 2011 and 2010 contained errors which resulted in reclassifications and adjustments to correctly report the financial activity during and at the end of the periods as follows:

- 2010 Auto Registration revenue from the State in the amount of \$6,641 was posted as taxes in the Special Revenue Funds and should have been posted as intergovernmental revenue in the Special Revenue Funds.
- 2010 OWDA loan proceeds for sewer projects in the amount of \$284,618 were posted as intergovernmental revenue and capital outlay in the Capital Projects Funds and should have been posted as other debt proceeds and capital outlay in the Enterprise Funds.
- 2011 Auto Registration revenue from the State in the amount of \$6,176 was posted as taxes in the Special Revenue Funds and should have been posted as intergovernmental revenue in the Special Revenue Funds.

**FINDING NUMBER 2011-003
(Continued)**

- 2011 Nature Works Grant revenue from the State in the amount of \$18,700 was posted as miscellaneous revenue in the General Fund and should have been posted as intergovernmental revenue in the General Fund.
- 2011 revenue for reimbursements of street repair from Miami County in the amount of \$8,000 was posted as miscellaneous revenue in the General Fund and should have been posted as intergovernmental revenue in the General Fund.
- 2011 OWDA loan proceeds for sewer projects in the amount of \$1,151,642 were posted as intergovernmental revenue and capital outlay in the Capital Projects Funds and should have been posted as other debt proceeds and capital outlay in the Enterprise Funds.
- The December 31, 2011 fund balances for the Special Revenue Funds were reported as assigned and should have been reported as restricted, per Governmental Accounting Boards Statement No. 54.

To improve the accuracy and completeness of the Village's financial statements and provide comparative financial statements from year to year, the posting of receipts should be performed consistently with the instructions contained in the Village Officer's Handbook and the Uniform Accounting Network (UAN) Chart of Accounts and audit bulletins 2002-004 and 2000-008. Policies and procedures should be developed and implemented to verify that all receipts are posted and properly roll up to correct line items on the financial statements.

Officials' Response:

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

VILLAGE OF PLEASANT HILL
MIAMI COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.41(D) – Prior certification of expenditures	No	Repeated as Finding 2011-001

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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
SEPTEMBER 11, 2012