



**Auditor of State
Betty Montgomery**

VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Mount Pleasant
Jefferson County
P.O. Box 445
Mount Pleasant, Ohio 43939-0445

To the Village Council:

We have audited the accompanying financial statements of the Village of Mount Pleasant, Jefferson County, Ohio (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. 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 of the Village of Mount Pleasant, Jefferson County, Ohio, 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 February 10, 2005 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.

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

February 10, 2005

VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$35,607	\$28,904	\$64,511
Intergovernmental Receipts	38,399	25,381	63,780
Fines, Licenses, and Permits	857		857
Earnings on Investments	1,324		1,324
Miscellaneous	2,224	4,592	6,816
	<u>78,411</u>	<u>58,877</u>	<u>137,288</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	23,342	13,606	36,948
Public Health Services	617	1,944	2,561
Leisure Time Activities		944	944
Basic Utility Services	4,694		4,694
Transportation	8,753	33,273	42,026
General Government	25,693	585	26,278
Debt Service:			
Principal Payments	4,394	1,541	5,935
Interest Payments	1,538	1,364	2,902
Capital Outlay	34,000	25,000	59,000
	<u>103,031</u>	<u>78,257</u>	<u>181,288</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(24,620)</u>	<u>(19,380)</u>	<u>(44,000)</u>
Other Financing Receipts and (Disbursements):			
Sale of Bonds or Notes	14,000	18,000	32,000
	<u>14,000</u>	<u>18,000</u>	<u>32,000</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,620)	(1,380)	(12,000)
Fund Cash Balances, January 1	55,313	37,739	93,052
Fund Cash Balances, December 31	<u>\$44,693</u>	<u>\$36,359</u>	<u>\$81,052</u>

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

VILLAGE OF MOUNT PLEASANT
JEFFERSON 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>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$89,777		\$89,777
Earnings on Investment	278		278
Miscellaneous	1,224		1,224
Total Operating Cash Receipts	<u>91,279</u>		<u>91,279</u>
Operating Cash Disbursements:			
Personal Services	42,998		42,998
Contractual Services	23,587		23,587
Supplies and Materials	11,118		11,118
Other	7,162		7,162
Total Operating Cash Disbursements	<u>84,865</u>		<u>84,865</u>
Operating Income/(Loss)	<u>6,414</u>		<u>6,414</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	252	\$891	1,143
Total Non-Operating Cash Receipts	<u>252</u>	<u>891</u>	<u>1,143</u>
Non-Operating Cash Disbursements:			
Debt Service	11,812		11,812
Other Non-Operating Cash Disbursements	314	891	1,205
Total Non-Operating Cash Disbursements	<u>12,126</u>	<u>\$891</u>	<u>13,017</u>
Net Receipts Over/(Under) Disbursements	(5,460)		(5,460)
Fund Cash Balances, January 1	<u>29,302</u>		<u>29,302</u>
Fund Cash Balances, December 31	<u>\$23,842</u>		<u>\$23,842</u>

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

VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$31,795	\$26,001	\$57,796
Intergovernmental Receipts	21,530	14,565	36,095
Fines, Licenses, and Permits	125	580	705
Earnings on Investments	2,153		2,153
	<u>303</u>	<u>1,831</u>	<u>2,134</u>
 Total Cash Receipts	 <u>55,906</u>	 <u>42,977</u>	 <u>98,883</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	22,705	20,224	42,929
Public Health Services		2,654	2,654
Leisure Time Activities		370	370
Basic Utility Services	5,118		5,118
Transportation		20,048	20,048
General Government	26,873	1,535	28,408
Debt Service:			
Principal Payments	1,209	2,743	3,952
Interest Payments	<u>282</u>	<u>3,212</u>	<u>3,494</u>
 Total Cash Disbursements	 <u>56,187</u>	 <u>50,786</u>	 <u>106,973</u>
Total Receipts Over/(Under) Disbursements	<u>(281)</u>	<u>(7,809)</u>	<u>(8,090)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		3,000	3,000
Transfers-Out	<u>(3,000)</u>		<u>(3,000)</u>
 Total Other Financing Receipts/(Disbursements)	 <u>(3,000)</u>	 <u>3,000</u>	 <u></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (3,281)	 (4,809)	 (8,090)
Fund Cash Balances, January 1	<u>58,594</u>	<u>42,548</u>	<u>101,142</u>
Fund Cash Balances, December 31	<u>\$55,313</u>	<u>\$37,739</u>	<u>\$93,052</u>

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

VILLAGE OF MOUNT PLEASANT
JEFFERSON 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**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$85,809		\$85,809
Miscellaneous	592		592
Total Operating Cash Receipts	<u>86,401</u>		<u>86,401</u>
Operating Cash Disbursements:			
Personal Services	41,173		41,173
Contractual Services	25,067		25,067
Supplies and Materials	9,824		9,824
Total Operating Cash Disbursements	<u>76,064</u>		<u>76,064</u>
Operating Income/(Loss)	<u>10,337</u>		<u>10,337</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	<u>6,000</u>	<u>\$645</u>	<u>6,645</u>
Total Non-Operating Cash Receipts	<u>6,000</u>	<u>645</u>	<u>6,645</u>
Non-Operating Cash Disbursements:			
Debt Service	12,101		12,101
Other Non-Operating Cash Disbursements	<u>162</u>	<u>645</u>	<u>807</u>
Total Non-Operating Cash Disbursements	<u>12,263</u>	<u>\$645</u>	<u>12,908</u>
Net Receipts Over/(Under) Disbursements	4,074		4,074
Fund Cash Balances, January 1	<u>25,228</u>		<u>25,228</u>
Fund Cash Balances, December 31	<u>\$29,302</u>		<u>\$29,302</u>

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

**VILLAGE OF MOUNT PLEASANT
JEFFERSON 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 Mount Pleasant, Jefferson 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 utilities and police services. The Village contracts with Mount Pleasant Volunteer Fire Department to provide fire protection 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. 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 Tax Fund -This fund receives permissive tax monies for maintaining Village streets.

Fire Protection Fund – This fund receives levy monies to pay for fire protection services.

**VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Fund

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 Fund:

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

4. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayors Court Fund – This fund accounts for fines and fees received for Mayor's Court activities and the distribution of the fine monies to the Village and to the State.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 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 use the encumbrance method of accounting.

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

**VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY**

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

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH

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:

	2003	2002
Demand deposits	\$104,894	\$122,354

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$92,411	\$92,411
Special Revenue	0	76,877	76,877
Enterprise	0	91,531	91,531
Total	\$0	\$260,819	\$260,819

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,150	\$103,031	(\$31,881)
Special Revenue	58,610	78,257	(19,647)
Enterprise	90,250	96,991	(6,741)
Total	\$220,010	\$278,279	(\$58,269)

**VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$55,906	\$55,906
Special Revenue	0	45,977	45,977
Enterprise	0	92,401	92,401
Total	\$0	\$194,284	\$194,284

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,855	\$59,187	\$9,668
Special Revenue	57,514	50,786	6,728
Enterprise	87,004	88,327	(1,323)
Total	\$213,373	\$198,300	\$15,073

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund, Street Construction and Maintenance Fund, Motor Vehicle License Tax Fund, Fire Levy Fund, and Water Revenue Fund for the year ended December 31, 2003. Also contrary to Ohio law, at December 31, 2003 and 2002 appropriations exceeded estimated resources in all funds.

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 December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 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.

**VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$61,479	0.00%
General Obligation Notes	76,650	5.50%-7.00%
Issue II Matching Funds Loan	44,533	6.75%
Total	<u>\$182,662</u>	

The proceeds of the Ohio Public Works Commission (OPWC) loan were used to help pay for the water system improvement Phase III. The loan is collateralized by future water revenue. The village has three outstanding general obligation notes, which had been issued for the purchase of a fire truck, completion of a water tank project, and the project for the removal of a water tank. These loans are collateralized by the Village's taxing authority. The Issue II loan was used for matching funds for a street improvement project. The loan is collateralized by the Village's taxing authority.

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

	<u>OPWC Loan</u>	<u>General Obligation Notes</u>	<u>Issue II Matching Funds Loan</u>
Year ending December 31:			
2004	\$3,726	\$11,933	\$6,009
2005	3,726	11,933	6,009
2006	3,726	11,933	6,009
2007	3,726	11,933	6,009
2008	3,726	10,267	6,009
2009 – 2020	42,849	47,498	31,376
Total	<u>\$61,479</u>	<u>\$105,497</u>	<u>\$61,421</u>

6. RETIREMENT SYSTEMS

The Village employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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, 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.

**VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY**

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

7. RISK MANAGEMENT

Risk Pool Membership

The Village is a member of 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 occurrence. 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-occurrence limit of \$2,000,000.

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 position (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>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	(\$12,872,985)	(\$8,550,749)
Retained Earnings	\$12,415,113	\$11,624,228

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	2,565,408
Liabilities	(792,061)	(655,318)
Retained Earnings	\$2,366,752	\$1,910,090

**VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY**

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

8. LEGAL COMPLIANCE

Noncompliance with Ohio Revised Code § 733.28, 733.43 and 733.45 has been reported as the Clerk/Treasurer did not keep accurate accounts of the Village's finance's and did not report on the Village's financial condition to Village Council.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Mount Pleasant
Jefferson County
P.O. Box 445
Mount Pleasant, Ohio 43939-0445

To the Village Council:

We have audited the accompanying financial statements of the Village of Mount Pleasant Jefferson County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 10, 2005. 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 2003-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 10, 2005.

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 February 10, 2005.

Village of Mount Pleasant
Jefferson County
Independent Accountants' 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

February 10, 2005

VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Ohio Revised Code § 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

- 2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 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 extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 100% of tested expenditures in 2002 and 2003. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

**VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

Failure to certify the availability of funds and encumber appropriations could result in overspending or negative cash 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 of the Village's funds exceeding budgetary spending limitations, the Clerk/Treasurer should certify that the funds are or will be available prior to 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 Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code § 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 Ohio Revised Code § 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 2003-002

Ohio Revised Code § 5705.36 states that on or about the first day of each fiscal year, the fiscal officer of a subdivision is to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Clerk/Treasurer did not file a certificate showing the total amount from all sources available for expenditures and the balances existing at the end of the year with the county auditor. Failure to file the certificate could result in appropriations exceeding the amounts of available resources. The Clerk/Treasurer should use a calendar with all applicable budgetary dates as a reminder to file required documents with the county auditor.

FINDING NUMBER 2003-003

Ohio Revised Code § 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources.

Since available year end balances were not certified by the Village, as noted in finding 2003-002, the county budget commission did not provide an official certificate of estimated resources for fiscal years 2002 and 2003. Accordingly 100% of the Village's 2002 and 2003 appropriations exceeded estimated resources certified by the budget commission.

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. The Clerk/Treasurer should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Village Council to reduce the appropriations.

**VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDING NUMBER 2003-004

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations in the following funds for 2003:

Fund	Appropriations	Expenditures	Variance
General Fund	\$71,150	\$103,031	(\$31,881)
Street Construction and Maintenance Fund	\$15,000	\$16,825	(\$1,825)
Motor Vehicle License Tax Fund	\$7,000	\$15,983	(\$8,983)
Fire Levy Fund	\$6,460	\$28,063	(\$21,603)
Water Revenue Fund	\$90,000	\$96,991	(\$6,991)

The Village Clerk/Treasurer should monitor expenditures by comparing them to appropriations throughout the year and have the Council approve appropriation amendments to guard against overspending.

FINDING NUMBER 2003-005

Ohio Revised Code §§ 733.28 and 733.43 states that the village clerk/treasurer shall keep books of the village; exhibit accurate statements of all moneys received and expended and arrange the books so that the amounts received and expended on accounts of separate funds shall be exhibited in separate accounts in each fund. The Village maintained only a cash journal. The Village should also record activity in a receipt ledger and appropriation ledger.

Ohio Revised Code § 733.47 states that at the first January meeting of Village Council each year, the clerk/treasurer shall report on the village financial condition, including amounts of receipts, disbursements and accounts. The balance of each fund shall also be reported.

The Clerk/Treasurer did not keep accurate records of all moneys received and expended by the Village, as there were errors in postings to the cash journal. Additionally, bank activity was not reconciled to Village books. An accurate outstanding check list was not maintained. A report of the Village financial condition of 2002 or 2003 was not presented to the Village Council at their first meeting in January.

The Village Clerk/Treasurer should keep accurate account of all moneys received and expended by the Village. The Clerk/Treasurer should also complete accurate monthly bank reconciliations, which would effectively disclose bookkeeping errors. The Village Clerk/Treasurer should also prepare accurate financial reports for Village Council, including amounts of receipts, disbursements and balances of each fund.

**VILLAGE OF MOUNT PLEASANT
JEFFERSON 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; <i>Explain:</i>
2001-31241-001	Ohio Revised Code 5705.38 Village did not pass an appropriation resolution	Yes	
2001-31241-002	Ohio Revised Code 5705.41 (D) expenditures were not properly certified	No	Cited again in current audit
2001-31241-003	Ohio Revised Code 5705.41 (B) expenditures exceeded appropriations	No	Cited again in current audit



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF MOUNT PLEASANT

JEFFERSON 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
MARCH 31, 2005**