

**VILLAGE OF MOUNT PLEASANT  
JEFFERSON COUNTY**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**



**SEACHRIST, KENNON & MARLING, A.C.  
CERTIFIED PUBLIC ACCOUNTANTS**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Mount Pleasant  
P.O. Box 445  
Mount Pleasant, Ohio 43939

We have reviewed the *Independent Auditor's Report* of the Village of Mount Pleasant, Jefferson County, prepared by Seachrist, Kennon & Marling, A. C., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Mount Pleasant is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA  
Auditor of State

March 11, 2008

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## **INDEPENDENT AUDITOR'S REPORT**

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

To the Village Council:

We have audited the accompanying financial statements as described in the table of contents of the Village of Mount Pleasant, Jefferson County, (the Government) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Government's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the government 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially confirm to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position 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 of the Village of Mount Pleasant, Jefferson County, as of December 31, 2005 and 2004 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principals also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principals generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2007, on our consideration of the Government'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Frankie Kerson; Auditor, A.C.*

Wheeling, West Virginia  
October 15, 2007

**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, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property tax and other local taxes	\$ 41,256	\$ 51,802	\$ 93,058
Intergovernmental receipts	18,866	4,152	23,018
Charges for services	30	-	30
Fines, licenses, and permits	1,198	-	1,198
Interest income	704	-	704
Miscellaneous	2,486	325	2,811
Total Cash Receipts	<u>64,540</u>	<u>56,279</u>	<u>120,819</u>
<b>Cash Disbursements</b>			
Current			
Security of persons and property	25,456	24,379	49,835
Public health services	582	2,301	2,883
Leisure time activities	85	7,288	7,373
Basic utility services	-	-	-
Transportation	-	28,658	28,658
General government	30,536	512	31,048
Debt Service			
Principal payments	6,121	6,729	12,850
Interest payments	815	4,417	5,232
Capital Outlay	-	-	-
Total Cash Disbursements	<u>63,595</u>	<u>74,284</u>	<u>137,879</u>
Total Cash Receipts Over (Under) Cash Disbursements	945	(18,005)	(17,060)
<b>Other Financing Receipts (Disbursements)</b>			
Reimbursements	10	3,021	3,031
Total Other Financing Receipts (Disbursements)	<u>10</u>	<u>3,021</u>	<u>3,031</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash (Disbursements) and Other Financing Receipts (Disbursements)	955	(14,984)	(14,029)
Fund Cash Balances, January 1	<u>43,231</u>	<u>21,104</u>	<u>64,335</u>
Fund Cash Balances, December 31	<u>\$ 44,186</u>	<u>\$ 6,120</u>	<u>\$ 50,306</u>

The accompanying notes are an integral part of these financial statements.



**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, 2005**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
<b>Cash Receipts</b>			
Charges for services	\$ 85,836	\$ -	\$ 85,836
Interest income	86	-	86
Total Cash Receipts	<u>85,922</u>	<u>-</u>	<u>85,922</u>
<b>Cash Disbursements</b>			
Personal services	44,959	-	44,959
Contractual services	6,545	-	6,545
Supplies and materials	9,499	-	9,499
Other	19,318	-	19,318
Advances	5,000	-	5,000
Total Cash Disbursements	<u>85,321</u>	<u>-</u>	<u>85,321</u>
Total Cash Receipts Over (Under) Cash Disbursements	601	-	601
<b>Non-Operating Cash Receipts</b>			
Other non-operating cash receipts	-	1,225	1,225
Advances	5,000	-	5,000
Total Non-Operating Cash Receipts	<u>5,000</u>	<u>1,225</u>	<u>6,225</u>
<b>Non-Operating Cash Disbursements</b>			
Debt service	13,616	-	13,616
Other non-operating cash disbursements	91	1,225	1,316
Total Non-Operating Cash Disbursements	<u>13,707</u>	<u>1,225</u>	<u>14,932</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash (Disbursements) and Other Financing Receipts (Disbursements)	(8,106)	-	(8,106)
Fund Cash Balances, January 1	<u>22,153</u>	<u>-</u>	<u>22,153</u>
Fund Cash Balances, December 31	<u>\$ 14,047</u>	<u>\$ -</u>	<u>\$ 14,047</u>

The accompanying notes are an integral part of these financial statements.

**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, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property tax and other local taxes	\$ 42,343	\$ 41,681	\$ 84,024
Intergovernmental receipts	19,627	4,258	23,885
Fines, licenses, and permits	1,130	-	1,130
Interest income	855	-	855
Miscellaneous	2,857	-	2,857
Total Cash Receipts	<u>66,812</u>	<u>45,939</u>	<u>112,751</u>
<b>Cash Disbursements</b>			
Current			
Security of persons and property	25,266	26,763	52,029
Public health services	296	2,230	2,526
Leisure time activities	-	3,802	3,802
Basic utility services	-	-	-
Transportation	-	25,812	25,812
General government	33,526	333	33,859
Debt Service			
Principal payments	5,750	2,065	7,815
Interest payments	1,186	4,189	5,375
Capital Outlay	23,909	-	23,909
Total Cash Disbursements	<u>89,933</u>	<u>65,194</u>	<u>155,127</u>
Total Cash Receipts Over (Under) Cash Disbursements	(23,121)	(19,255)	(42,376)
<b>Other Financing Receipts (Disbursements)</b>			
Proceeds of notes	23,909	-	23,909
Reimbursements	1,750	-	1,750
Transfers in (out)	(4,000)	4,000	-
Total Other Financing Receipts (Disbursements)	<u>21,659</u>	<u>4,000</u>	<u>25,659</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash (Disbursements) and Other Financing Receipts (Disbursements)	(1,462)	(15,255)	(16,717)
Fund Cash Balances, January 1	<u>44,693</u>	<u>36,359</u>	<u>81,052</u>
Fund Cash Balances, December 31	<u>\$ 43,231</u>	<u>\$ 21,104</u>	<u>\$ 64,335</u>

The accompanying notes are an integral part of these financial statements.

**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, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
<b>Cash Receipts</b>			
Charges for services	\$ 84,458	\$ -	\$ 84,458
Interest income	225	-	225
Miscellaneous	-	-	-
Total Cash Receipts	<u>84,683</u>	<u>-</u>	<u>84,683</u>
<b>Cash Disbursements</b>			
Personal services	44,972	-	44,972
Contractual services	2,933	-	2,933
Supplies and materials	8,827	-	8,827
Other	14,277	-	14,277
Total Cash Disbursements	<u>71,009</u>	<u>-</u>	<u>71,009</u>
Total Cash Receipts Over (Under) Cash Disbursements	13,674	-	13,674
<b>Non-Operating Cash Receipts</b>			
Other non-operating cash receipts	<u>-</u>	<u>1,245</u>	<u>1,245</u>
Total Non-Operating Cash Receipts	<u>-</u>	<u>1,245</u>	<u>1,245</u>
<b>Non-Operating Cash Disbursements</b>			
Debt service	15,363	-	15,363
Other non-operating cash disbursements	<u>-</u>	<u>1,245</u>	<u>1,245</u>
Total Non-Operating Cash Disbursements	<u>15,363</u>	<u>1,245</u>	<u>16,608</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash (Disbursements) and Other Financing Receipts (Disbursements)	(1,689)	-	(1,689)
Fund Cash Balances, January 1	<u>23,842</u>	<u>-</u>	<u>23,842</u>
Fund Cash Balances, December 31	<u><u>\$ 22,153</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,153</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 AND 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES**

**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, police services, maintenance of land, buildings and roadways and emergency repair service to the State highways. The Village contracts with Mount Pleasant Volunteer Fire Department to provide fire protection services. The Village is a contractual partner with the cemetery.

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

**BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of the 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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of the State.

**FUND ACCOUNTING**

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

Government Fund Types:

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.

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

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 AND 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Permissive Motor Vehicle Tax Fund – The fund receives permissive tax monies for maintaining the Village streets.

Fire Protection Fund / Fire Equipment Fund – This fund receives property tax revenues and proceeds from fire contracts to provide fire protection to Village residents.

Proprietary Fund Types:

Enterprise Funds – These funds account for operations that are similar to private business enterprises where management intends that the 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 Jefferson County residents to cover the cost of providing and maintaining water and sewer lines.

**BUDGETARY PROCESS**

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

Appropriations – Budgetary expenditures 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.

Estimated Resources – Estimated resources include estimates of cash to be received plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances – The Ohio Revised Code requires the Village to reserve appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of the 2005 and 2004 budgetary activity appears in Note 3.

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 AND 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PLANT, PROPERTY 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.

**NOTE 2 – EQUITY IN POOLED CASH**

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

	<u>2005</u>	<u>2004</u>
Demand deposits	<u>\$ 64,353</u>	<u>\$ 86,488</u>

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

**NOTE 3 – BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

Fund Type	2005 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ -0-	\$ 64,550	\$ 64,550
Special Revenue	-0-	59,300	59,300
Enterprise	<u>-0-</u>	<u>90,922</u>	<u>90,922</u>
Total	<u>\$ -0-</u>	<u>\$ 214,772</u>	<u>\$ 214,772</u>

Fund Type	2005 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 78,600	\$ 63,595	\$ 15,005
Special Revenue	68,000	74,284	(6,284)
Enterprise	<u>92,000</u>	<u>99,028</u>	<u>(7,028)</u>
Total	<u>\$ 238,600</u>	<u>\$ 236,907</u>	<u>\$ 1,693</u>

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 AND 2004**

**NOTE 3 – BUDGETARY ACTIVITY (Continued)**

Fund Type	2004 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ -0-	\$ 92,471	\$ 92,471
Special Revenue	-0-	49,939	49,939
Enterprise	<u>-0-</u>	<u>84,683</u>	<u>84,683</u>
Total	<u>\$ -0-</u>	<u>\$ 227,093</u>	<u>\$ 227,093</u>

Fund Type	2004 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 68,750	\$ 93,933	\$ (25,183)
Special Revenue	54,000	65,194	(11,194)
Enterprise	<u>106,250</u>	<u>86,372</u>	<u>19,878</u>
Total	<u>\$ 229,000</u>	<u>\$ 245,499</u>	<u>\$ (16,499)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Special Revenue Fund and Enterprise Fund at December 31, 2005 and the General Fund and Special Revenue Fund at December 31, 2004. Also contrary to Ohio law, at December 31, 2005 and 2004 appropriations exceeded estimated resources in all funds.

**NOTE 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, 2005 AND 2004**

**NOTE 5 – DEBT**

Debt outstanding at December 31, 2005 was as follows:

	Principal <u>2005</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$ 55,890	0.00%
General obligation note	82,083	5.50 – 7.00%
Issue II Matching Funds Loan	<u>38,631</u>	6.75%
Total	<u>\$ 176,604</u>	

The proceeds of the Ohio Public Works commission (OPWC) loan were used to help pay for the water system improvement Phase II. The loan is collateralized by future water revenue. The Village has four outstanding general obligation notes, which were issued for the purchase of a fire truck, the completion of a water tank project and the purchase of a police cruiser. 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 as of December 31, 2005, including interest, is scheduled as follows:

	OPWC Loan	General Obligation Note	Issue II Matching Funds Loan
Year ending December 31:			
2006	\$ 3,726	\$ 17,270	\$ 6,009
2007	3,726	17,270	6,009
2008	3,726	15,604	6,009
2009	3,726	10,647	6,009
2010	3,726	5,798	6,009
Thereafter	<u>37,260</u>	<u>35,902</u>	<u>19,859</u>
Total	<u>\$ 55,890</u>	<u>\$ 102,491</u>	<u>\$ 49,904</u>

**NOTE 6 – RETIREMENT SYSTEMS**

The Village's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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.



**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 AND 2004**

**NOTE 6 – RETIREMENT SYSTEMS (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004 OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

**NOTE 7 – RISK MANAGEMENT**

The Village is a member of the Public Entities Pool of Ohio ("PEP"), a risk 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 member's deductions.

Casualty Coverage – PEP retains up to \$250,000 per claim, including loss adjustment expense. PEP makes annual contributions to APEEP. APEEP reinsures casualty claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$2,000,000. Local political subdivisions can elect additional coverage, up to a total limit of \$12,000,000 from the General Reinsurance Corporation.

Property Coverage – PEP retains property risks, including automobile physical damage up to \$10,000 on any one occurrence. APEEP reinsures property losses that are greater than \$100,000 up to \$250,000 per occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000 up to \$600,000 per occurrence.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claim 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 principals and reported the following assets, liabilities and retained earnings as December 31:

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 AND 2004**

**NOTE 7 – RISK MANAGEMENT (Continued)**

Casualty Coverage	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained Earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
Property Coverage	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,246)</u>	<u>(540,073)</u>
Retained Earnings	<u>\$3,375,086</u>	<u>\$3,108,199</u>

# **SEACHRIST, KENNON & MARLING, A.C.**

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the financial statements of the Village of Mount Pleasant, Jefferson County, Ohio (the Village) as of and for the year ended December 31, 2005 and 2004, and have issued our report thereon dated October 15, 2007. The Village followed accounting practices the Auditor of State prescribes. These practices differ from accounting principles generally accepted in the United States of America (GAAP). 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 to 2005-013.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2005-01 to 2005-13 to be material weaknesses.

#### Compliance and Other Matters

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 grant agreements, 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 or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 to 2005-013.

This report is intended solely for the information and use of management and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

*David St. Korman, Auditor, A.C.*

Wheeling, West Virginia  
October 15, 2007

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY**  
**SCHEDULE OF AUDIT FINDINGS**  
**DECEMBER 31, 2005 AND 2004**

**FINDING NUMBER 2005-001**

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.41(D)(1)**, 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. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates 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. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY**  
**SCHEDULE OF AUDIT FINDINGS**  
**DECEMBER 31, 2005 AND 2004**

**FINDING NUMBER 2005-001 (Continued)**

The Village did not properly certify or record the amount against the applicable appropriation accounts for 100% of the tested expenditures in 2005 and 2004.

Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also 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 clerk certify that 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.

We recommend the Village officials and employees obtain the Clerk's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials' Response**

The pro and cons of "Then and Now", Blanket and Super Blanket Certificates was subject to discussion two years ago with the State Auditors. They as well as the Village recognized the dubious advantages but obvious disadvantages for the Village in using all three kinds. The Clerk recognizes that Blanket and Super Blanket Certificates could be incorporated for certain repeating items, like AEP or Verizon, but the advantage appears to be a mystery. If a large street machinery breaks down due to – let us say - \$ 150 spare part. Now the Street Superintendent has to phone to find the part and to get a written quote by FAX. With that he goes to the Treasurer for approval. Since the Treasurer is not an employee working 9 through 5 in a Village office but an elected official without set office hours he may be not there but out of town and will return after the weekend. The repair of the machinery comes to a shrieking halt due to the lack of a required Purchase Order. The permission of a T&N would avoid that. Here again, something of great value to large taxing entities becomes less so for small communities. The "Then and Now" Certificate with its very numerous Vouchers does not provide more work for the Treasurer - likely less - than the other types but provides the Council with a steady awareness of the fiscal activity of the Village. Unless ordered authoritatively by the State Auditors Office the Village has no intention to change its purchasing procedures due to its inherent flexibility.

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY  
SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

**FINDING NUMBER 2005-002**

**Noncompliance Citation/Reportable Condition**

Ohio Revised Code 5705.39 states that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

The Village did not receive a certificate from the County Auditor for the appropriation measure for 2004 because the official certificate of estimated resources was not received. Since expenditures are limited by the appropriations established for each fund none of the expenditures made by the Village in 2004 and 2005 were in compliance with the Ohio Revised Code.

Failure to certify an appropriation measure or make expenditures within appropriations could result in overspending. The Village should obtain a certificate for appropriations from the County Auditor as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to established appropriations limitations.

**Officials' Response**

Indeed, the Village did not receive a certificate from the County Auditor because the preceding submission made by the Village did not meet the necessary requirements. The Clerk contacted the Auditor's office and inquired what improvement should be made and was instructed that none should be made.

**FINDING NUMBER 2005-003**

**Noncompliance Citation/Reportable Condition**

Ohio Revised Code 5705.34, states that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1<sup>st</sup> unless a later date is approved by the tax commissioner.

The Village did not certify the 2004 tax levy to the county auditor. We recommend that the Village certify the necessary tax levies to the county auditor prior to October 1<sup>st</sup> annually.

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY  
SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

**FINDING NUMBER 2005-003 (Continued)**

**Officials' Response**

New levies (the Village had none in the last two decades) or the renewal of expiring levies are lawfully executed and the Auditor of Jefferson County together with the Board of Election are watching and reminding us that things are done in time Hence, the Village did indeed not certify the 2004 tax levies because there were none to expire.

**FINDING NUMBER 2005-004**

Ohio Revised Code 5707.36 states that on or about the first day of each fiscal year, the fiscal officer of the Village 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 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 for 2004 until April 2004. Failure to file the certificate could result in appropriations exceeding the amount of available resources. We recommend that the Village certify all sources available for expenditure with the county auditor on or around the first day of each fiscal year.

**Officials' Response**

Officials did not submit a substantive response.

**FINDING NUMBER 2005-005**

**Noncompliance Citation/Reportable Condition**

Chapter 5705 of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to ensure that a government entity expends no more that it expects to receive in revenue. In order to accomplish this all appropriations must be accounted to and from each appropriation fund. Ohio Revised Code 5705.38 states that an original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. The appropriation measure is to be passed on or around the first day of the fiscal year.

The Village did not file an appropriation measure with the taxing authority for 2005 or 2004 until May 2005 and April 2004, respectively. Failure to file an appropriation measure could result in overspending. The Village should file an appropriation measure on or around the first day of the fiscal year so compliance with the Ohio Revised Code provisions can be attained.



**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY  
SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

**FINDING NUMBER 2005-005 (Continued)**

**Officials' Response**

No arguments about the legal aspects of the Finding; however, as the example of the Village demonstrates the failure to file an appropriation did not lead to an overspending. The Village and its budget are so small that the Treasurer has 100% control of the money without looking at any of these fancy documentation.

**FINDING NUMBER 2005-006**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and cash advances are subject to the following requirements, as outlined in Auditor of State Bulletin 97-003:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on the use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Village Council) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

In calendar year 2005, advances in the amount of \$5,000.00 were made from the water fund security deposit account to the water fund operating account. The creditor funds' purpose for this advance was not consistent with the debtor funds' purpose. The advance of funds violates restrictions placed on the use of water fund security deposits. Additionally the advance was not formally approved by Village Council. We recommend that the Village follow the requirements as outlined in auditor of State Bulletin 97-003 for all advances.

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY  
SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

**FINDING NUMBER 2005-006 (Continued)**

**Officials' Response**

No rebuttal.

**FINDING NUMBER 2005-007**

**Noncompliance Citation/Reportable Condition**

Ohio Admin. Code, Section 117-9-02 (D), requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, report and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village did not maintain an appropriation ledger and therefore was unable to monitor compliance with its appropriation resolution. We recommend that the Village maintain an appropriation ledger.

**Officials' Response**

The lack of an Appropriation Ledger (as well as a Receipt Ledger) was inherited from the previous Treasurer. The State Auditor complained about this subject and complete Legers were instituted and will be available beginning with the year 2006.

**FINDING NUMBER 2005-008**

**Noncompliance Citation/Reportable Condition**

Ohio Revised Code 733.27(B), states that the village clerk shall attend training programs for new village clerks and annual training programs of continuing education for village clerks that are provided by the auditor of state pursuant to section 117.44 of the Revised Code. Due to health reasons the clerk did not attend annual continuing education programs provided by the Auditor of State in 2005.

We recommend tha the Council designate another individual to attend the annual continuing education programs and report knowledge obtained to the clerk.

**Officials' Response**

Officials did not submit a substantive response.

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY  
SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

**FINDING NUMBER 2005-009**

**Reportable Condition**

The Village Clerk performs all financial recordkeeping using Microsoft Excel including recording all receipts and expenditures and reconciling to the monthly bank statements. In the event the Clerk is absent from his/her job there is no person assigned to perform these job duties. This system does not provide for timely recording of receipts and expenditures and detection of errors and could allow fund balances to not reflect current activities due to the length of time between receipt and posting to the cash journal.

To strengthen internal accounting controls, we recommend that Council monitor the records maintained by the Clerk to improve controls in this area.

**Officials' Response**

Yes, the Village uses the Microsoft Office Excel software. The use of other software (available mostly to usury high prices) would not negate the following criticism of the Audit Report.

**FINDING NUMBER 2005-010**

**Noncompliance Citation/Reportable Condition**

Ohio Revised Code 733.43, states that the Village clerk shall keep an accurate account of: 1) all moneys received by him, showing the amount thereof, the time received, from whom, and on what account received; B) all disbursements made by him, showing the amount thereof, the time made, to whom, and on what account paid. The books should be arranged so that the amount received and paid on account of separate funds, or specified appropriations, shall be exhibited in separate accounts.

The Village clerk maintained only a cash journal for 2005 and 2004 appropriations should be recorded in an appropriation ledger.

**Officials' Response**

Has been already answered above.

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY  
SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

**FINDING NUMBER 2005-011**

**Noncompliance Citation/Reportable Condition**

Ohio Revised Code 733.45, states that the treasurer of a municipal corporation shall settle and account with the legislative authority, quarterly, and at any other time which it by resolution or ordinance requires. At the first regular meeting of such legislative authority in January, each year, the treasurer shall report to it the condition of the finances of the municipal corporation, the amount received by him, the sources of such receipts, the disbursements made by him, and on what account, during the year preceding. Such account shall exhibit the balance due on each fund which has come into the treasurer's hands during the year.

In years 2005 and 2004 the Village clerk did not report on the finances of the Village as required by Ohio Revised Code. We recommend that the Village clerk report on the condition of the Village finances including amounts received, sources of receipts, disbursements made and fund balances at the first regular meeting of each calendar year. We suggest that the report presented by a condensed summary of the Village finances.

**Officials' Response**

Officials did not submit a substantive response.

**FINDING NUMBER 2005-012**

**Noncompliance Citation/Reportable Condition**

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:

Fund	Appropriations	Expenditure	Variance
December 31, 2005			
Special Revenue	\$ 68,000	\$ 74,284	(\$6,284)
Enterprise	92,000	99,028	(7,028)
December 31, 2004			
General Fund	\$ 68,750	\$ 93,933	(\$25,183)
Special Revenue	54,000	65,194	(11,194)

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

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY  
SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

**FINDING NUMBER 2005-012 (Continued)**

**Officials' Response**

No official response provided.

**FINDING NUMBER 2005-013**

**Noncompliance Citation/Reportable Condition**

Ohio Revised Code 5705.28 , states that the Village shall adopt a tax budget for the succeeding fiscal year on or before July 15<sup>th</sup>.

In years 2005 and 2004 the Village did not adopt the succeeding year tax budget until September. We recommend that the Village adopt the tax budgets by July 15<sup>th</sup>.

**Officials' Response**

Answer implied in previous sections.

**VILLAGE OF MOUNT PLEASANT, JEFFERSON COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Not corrected, Partially Corrected, Significantly Difference Corrective Action Taken, or Finding no Longer Valid</b>
2003-001	Ohio Rev. Code Sections 5705.41(D) expenditures were not properly certified	No	Cited again in current audit
2003-002	Ohio Rev. Code 5705.36 expenditures were not properly certified	No	Cited again in current audit
2003-003	Ohio Rev. Code 5705.39 appropriations exceeded estimated revenues	No	Cited again in current audit
2003-004	Ohio Rev. Code 5405.41(B) expenditures exceed appropriations	No	Cited again in current audit
2003-005	Ohio Rev. code 733.28, 733.43, 733.47 appropriation ledger was not maintained, Village clerk did not report on financial condition at first meeting in January	No	Cited again in current audit

**Official's Response**

The statement that findings of the prior audit had not been incorporated is highly unfair, because these statements were made known to the Village in the second quarter of 2005. How in the world could they be incorporated in 2005 let alone 2004?



**Mary Taylor, CPA**  
Auditor of State

**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 25, 2008**