

VILLAGE OF PITTSBURG

DARKE COUNTY

REGULAR AUDIT

JANUARY 1, 2005 THROUGH DECEMBER 31, 2006

YEARS AUDITED UNDER GAGAS: 2006 AND 2005

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Village Council
Village of Pittsburg
P.O. Box 247
Pittsburg, Ohio 45358

We have reviewed the *Independent Auditor's Report* of the Village of Pittsburg, Darke County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2005 through December 31, 2006. 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 Pittsburg is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 20, 2007

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**VILLAGE OF PITSBURG
DARKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	10
Schedule of Findings and Responses.....	12
Schedule of Prior Audit Findings.....	19

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Independent Auditor's Report

Village of Pittsburg
Darke County
P.O. Box 247
Pittsburg, Ohio 45358

To the Village Mayor and Council;

We have audited the accompanying financial statements of the Village of Pittsburg (The Village), Darke County, Ohio, as of and for the years ended December 31, 2006 and 2005. 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 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 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2006 and 2005. 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 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, 2006 and 2005, 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, 2006 and 2005, 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 as of the December 31, 2006 and 2005, 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 principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2007, 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. 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 audit.

Caudill & Associates, CPAs

Caudill & Associates, CPA's

November 30, 2007

**VILLAGE OF PITTSBURG
DARKE COUNTY**

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

	<u>Governmental Funds Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
<u>Cash Receipts</u>					
Property and Other Taxes	\$ 18,007	\$ 17,299	\$ 4,301	\$ -	\$ 39,607
Intergovernmental	48,709	21,916	1,051	-	71,676
Charges for Services	1,576	29,088	-	-	30,664
Earnings on Investments	853	497	-	-	1,350
Miscellaneous	185	347	-	-	532
Total Cash Receipts	<u>69,330</u>	<u>69,147</u>	<u>5,352</u>	<u>-</u>	<u>143,829</u>
<u>Disbursements:</u>					
Security of Persons and Property	16,410	26,190	-	-	42,600
Public Health	1,474	-	-	-	1,474
Leisure Time Activities	4,002	2,899	-	-	6,901
Transportation	-	15,085	-	-	15,085
General Government	43,561	515	40	-	44,116
Capital Outlay	-	-	-	2,910	2,910
Total Cash Disbursements	<u>65,447</u>	<u>44,689</u>	<u>40</u>	<u>2,910</u>	<u>113,086</u>
Total Receipts Over (Under) Disbursements	<u>3,883</u>	<u>24,458</u>	<u>5,312</u>	<u>(2,910)</u>	<u>30,743</u>
Other Financing Sources					
Sale of Notes	-	-	-	3,225	3,225
Other Financing Sources	963	-	-	-	963
Total Other Financing Sources	<u>963</u>	<u>-</u>	<u>-</u>	<u>3,225</u>	<u>4,188</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	4,846	24,458	5,312	315	34,931
Fund Cash Balance, January 1	<u>41,503</u>	<u>168,165</u>	<u>3,120</u>	<u>3,225</u>	<u>216,013</u>
Fund Cash Balance December 31	<u>\$ 46,349</u>	<u>\$ 192,623</u>	<u>\$ 8,432</u>	<u>\$ 3,540</u>	<u>\$ 250,944</u>

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

**VILLAGE OF PITTSBURG
DARKE 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 Funds Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
<u>Cash Receipts:</u>					
Property and Other Taxes	\$ 17,012	\$ 17,615	\$ 4,712	\$ -	\$ 39,339
Intergovernmental	48,383	17,230	612	-	66,225
Charges for Services	1,893	26,863	-	-	28,756
Earnings on Investments	591	409	-	-	1,000
Miscellaneous	1,070	1,249	-	-	2,319
Total Cash Receipts	<u>68,949</u>	<u>63,366</u>	<u>5,324</u>	<u>-</u>	<u>137,639</u>
<u>Disbursements:</u>					
Security of Persons and Property	16,905	19,922	-	-	36,827
Public Health	1,474	-	-	-	1,474
Leisure Time Activities	5,339	2,769	-	-	8,108
Transportation	-	17,824	-	-	17,824
General Government	51,759	335	99	-	52,193
Capital Outlay	-	-	-	4,300	4,300
Debt Service:					
Principal Payments	-	-	10,282	-	10,282
Interest Payments	-	-	356	-	356
Total Cash Disbursements	<u>75,477</u>	<u>40,850</u>	<u>10,737</u>	<u>4,300</u>	<u>131,364</u>
Total Cash Receipts Over (Under) Disbursements	<u>(6,528)</u>	<u>22,516</u>	<u>(5,413)</u>	<u>(4,300)</u>	<u>6,275</u>
Other Financing Sources and (Uses)					
Sale of Notes	-	-	-	7,525	7,525
Transfers In	-	-	6,000	-	6,000
Transfers Out	(6,000)	-	-	-	(6,000)
Other Financing Sources	457	-	-	-	457
Total Other Financing Sources and (Uses)	<u>(5,543)</u>	<u>-</u>	<u>6,000</u>	<u>7,525</u>	<u>7,982</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>(12,071)</u>	<u>22,516</u>	<u>587</u>	<u>3,225</u>	<u>14,257</u>
Fund Cash Balance, January 1	<u>53,574</u>	<u>145,649</u>	<u>2,533</u>	<u>-</u>	<u>201,756</u>
Fund Cash Balance December 31	<u>\$ 41,503</u>	<u>\$ 168,165</u>	<u>\$ 3,120</u>	<u>\$ 3,225</u>	<u>\$ 216,013</u>

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

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Pittsburg, Darke County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services, including park operations. The Village contracts with the Darke County Sheriff's department to provide security of persons and property. The Village provides fire protection service to residents by supporting a volunteer fire department in the Village.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

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 Fund

These funds 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.

Storm Drain Fund – This fund receives levy proceeds for construction and maintenance of storm drains in the Village.

Fire Department Fund – This fund receives revenue from adjoining Townships for fire services provided by the Village fire department.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund.

Sanitary Sewer Fund – This fund receives the proceeds from Ohio Water Development Authority loans. The funds are being used to construct a new sanitary sewer. Loan proceeds received in 2006 and 2005 were used for the study and planning phases.

4. Debt Service Funds

These funds are used to accumulate resources for the payment of the Village's indebtedness. The Village had the following debt service fund:

Fire Truck Fund – This fund received the proceeds of a levy for the retirement of notes used to purchase a fire truck for the Village fire department. This debt was retired in 2005.

Sewer Fund – This fund receives loan proceeds from the Ohio Water Development Authority to finance a public sewer. A utility surcharge recorded in this fund will repay the loan.

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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. There were no encumbrances for 2006 and 2005.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	\$ 244,944	\$ 210,013
Certificate of deposit	6,000	6,000
Total deposits	\$ 250,944	\$ 216,013

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, up to \$100,000 per account. Additional collateral information was not provided.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 71,554	\$ 70,293	\$ (1,261)
Special Revenue	55,858	69,147	13,289
Capital Projects	7,000	3,225	(3,775)
Debt Service	10,930	5,352	(5,578)
Total	\$ 145,342	\$ 148,017	\$ 2,675

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 107,057	\$ 65,447	\$ 41,610
Special Revenue	224,025	44,689	179,336
Capital Projects	10,225	2,910	7,315
Debt Service	14,050	40	14,010
Total	\$ 355,357	\$ 113,086	\$ 242,271

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 60,412	\$ 69,406	\$ 8,994
Special Revenue	53,190	63,366	10,176
Capital Projects	-	7,525	7,525
Debt Service	10,845	11,324	479
Total	\$ 124,447	\$ 151,621	\$ 27,174

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 113,986	\$ 81,477	\$ 32,509
Special Revenue	198,837	40,850	157,987
Capital Projects	-	4,300	(4,300)
Debt Service	13,378	10,737	2,641
Total	\$ 326,201	\$ 137,364	\$ 188,837

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2006 was as following:

	2006
Ohio Water Development Authority Loan #4194	\$ 5,375
Ohio Water Development Authority Loan #4196	5,375
Total	\$ 10,750

The Ohio Water Development Authority (OWDA) loans relate to the construction of a wastewater treatment project that was mandated by the Ohio Environmental Protection Agency. The OWDA loans originated in 2004, at zero percent interest, and were used to complete engineering studies. These loans will be repaid in annual installments of \$538, each, over 10 years, beginning in 2007. The loans are collateralized by future sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Year ending December 31,	OWDA Loan #4194	OWDA Loan #4196
2007	\$ 538	\$ 538
2008	538	538
2009	538	538
2010	538	538
2011	538	538
2012-2016	2,685	2,685
Total	\$ 5,375	\$ 5,375

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

5. DEBT (Continued)

The fire equipment note outstanding as of December 31, 2004 was retired in 2005.

6. RETIREMENT SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the Public Employee Retirement System have an option to choose Social Security or the Public Retirement Service System. As of December 31, 2006, all Village officials have elected to pay Social Security. The Village liability is 6.2 percent of the wages paid.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks through Cincinnati Insurance Company:

- Comprehensive Property and General Liability;
- Vehicles;
- Commercial Crime Coverage;
- Contractors Equipment; and
- Public Officials Liability.

8. COMPLIANCE

- a) In 2006 and 2005, twenty-two percent (22%) and twenty percent (20%), respectively, of the expenditures tested were not properly certified contrary to the Ohio Revised Code Section 5705.41(D).
- b) Contrary to Ohio Rev. Code Section 5705.41 (B), the Village expenditures exceeded appropriations in the Capital Project Fund in 2005.
- c) Contrary to Ohio Rev. Code Section 5705.40, the Village did not appropriately amend the appropriations for the Capital Project Fund in 2005.
- d) Contrary to Ohio Rev Code Section 121.22(C), the Village did not provide minute records after Oct 2006.
- e) Ohio Administrative Code Section 117-2-02(D) requires all local public offices to maintain accounting and payroll records that include W-2's, W-4's and other withholding records. No W-2 records were provided.
- f) Contrary to U.S.C. 1.6041-1, the Village did not issue 1099s-Misc Income to sub-contractors paid \$600 or more in a calendar year.
- g) Ohio Rev. Code 4123.04 requires employers to have an active workers compensation policy to insure coverage for employees against a workplace injury. No documentation of employee coverage was provided.
- h) Ohio Rev. Code Section 135.18 and 135.181, states the Treasurer of a political subdivision must require the depository to provide security equal to the funds on deposit at all times. The Village provided no documentation on depository collateral.

Caudill & Associates, CPA's

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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 Council
Village of Pitsburg
P.O. Box 247
Pitsburg, Ohio 45358

We have audited the accompanying financial statements of the Village of Pitsburg (the Village), Darke County, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's financial statements, and have issued our report thereon dated November 30, 2007, wherein we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2006-009, 2006-010, 2006-011, 2006-012 and 2006-013.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiency described in the accompanying

Village of Pittsburg
Darke County

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*

Page 2

schedule of findings and responses to be a material weakness in internal control over financial reporting as items
2006-012 and 2006-013.

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 eight instances of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as items 2006-001, 2006-002, 2006-003, 2006-004, 2006-005, 2006-006, 2006-007, and 2006-008.

We noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated November 30, 2007.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Caudill & Associates, CPAs

Caudill & Associates, CPA's
November 30, 2007

**VILLAGE OF PITSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)

(1): Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

(2): Blanket certificate – Fiscal officer may prepare “blanket” certificates not exceeding 44,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three month (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may be outstanding at one particular time for any one particular line item appropriation.

(3): Super Blanket certification – 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 reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Twenty-two percent (22%) and twenty percent (20%) of the expenditures tested were not properly certified in 2006 and 2005, respectively. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

We recommend the Village implement policies to improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations.

Village Response:

Village officials are committed to correcting this exception and will implement procedures to help assure expenditures are properly certified.

**VILLAGE OF PITSBURG
DARKE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-002

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (B)

Ohio Rev. Code Section 5705.41(B), prohibits expenditures unless the funds have been properly appropriated. Contrary to this requirement, expenditures in the Sanitary Sewer Fund exceeded appropriations for the year of 2005 by \$4,300. Failure to limit expenditures by approving appropriations could result in deficit spending and deficit fund balances.

The Village should monitor the budgetary financial reports throughout the year to prevent budgetary expenditures from exceeding appropriations at the legal level of control. Instances where it appears appropriations are insufficient to meet the projected needs, the Village should pass a resolution to amend appropriations. This analysis should also encompass a review of actual resources.

Village Response:

Village officials are committed to correcting this exception and will implement procedures to help assure compliance with all budgetary requirements.

FINDING NUMBER 2006-003

Noncompliance Citation – Ohio Rev. Code Section 5705.40

Ohio Rev. Code Section 5705.40 states, any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

Contrary to this provision, appropriation ordinances were not amended for the Sanitary Sewer Fund for 2005. Failure to limit expenditures by approving appropriations could result in deficit spending and deficit fund balances.

The Village should monitor the budgetary financial reports throughout the year and amend estimated resources and appropriations, as needed by resolution. This analysis should also encompass a review of actual resources.

Village Response:

Village officials are committed to correcting this exception and will implement procedures to help assure compliance with all budgetary requirements.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-004

Noncompliance Citation – Ohio Rev. Code Section 121.22(C)

Ohio Rev. Code Section 121.22 (C) states, the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section. Village minute records after October 9, 2006 were not presented.

We recommend the Village promptly record minutes of village meetings and have them open to inspection as required.

Village Response:

Village officials are committed to correcting this exception and will implement procedures to help assure all minute records are complete and maintained appropriately.

FINDING NUMBER 2006-005

Noncompliance Citation – Ohio Rev. Code Sections 135.18 and 135.181

Ohio Rev. Code Sections 135.18 and 135.181, states the Treasurer of a political subdivision must require the depository to provide security equal to the funds on deposit at all times. Security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The Village had \$110,421 and \$144,944, potentially, that was not secured according to ORC requirements for the years ended December 31, 2005 and 2006, respectively. No documentation of collateral was provided.

We recommend the Village secure funds not covered under FDIC insurance with a pooled collateral statement, or other security as instructed under ORC 135.18.

Village Response:

Village officials are committed to correcting this exception and will obtain the required depository agreements, including security for funds on deposit at all times.

FINDING NUMBER 2006-006

Noncompliance Citation – United States Code 1.6041-1

U.S.C. 1.6041-1 states that a Village must report any sub-contractor payments totally \$600 or more in a year to the IRS on form 1099s-Misc Income. Also, Section 6045(f) provides for information reporting for

**VILLAGE OF PITSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-006 (Continued)

payments of gross proceeds made in the course of a trade or business to attorneys in connection with legal services.

In 2006 and 2005, sub-contractor payments were unreported to the IRS in the amounts of \$17,941 and \$4,770, respectively.

We recommend the Village obtain a copy of the federal tax identification number or social security number of each service vendor or sub-contractor and report payments of \$600 or more on an IRS 1099s-misc form each calendar year.

Village Response:

Village officials are committed to correcting this exception and will implement procedures to comply with IRS reporting requirements.

FINDING NUMBER 2006-007

Noncompliance Citation – Ohio Rev. Code 4123.01

Ohio Rev Code 4123.01 requires employers to have an active workers compensation policy to insure coverage for employees against a workplace injury.

The Village did not present a policy documenting coverage for their employees for 2006.

We recommend the Village obtain worker's compensation insurance as prescribed by the State.

Village Response:

Village officials are committed to correcting this exception and will implement procedures to comply with the State of Ohio workers compensation requirements.

FINDING NUMBER 2006-008

Noncompliance Citation - Ohio Admin. Code Section 117-2-02(D)

Ohio Admin. Code Section 117-2-02(D) Accounting Records states, in part, all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automations and other factors. All local public offices should maintain or provide a report similar to the following accounting records. Such records should include the following: Payroll records including: W-2's, W-4's and other withholding records and authorizations.

The Village did not provide documentation on the issuance of W-2s for the audit of 2005 and 2006.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-008 (Continued)

We recommend the Village issue W-2 forms for all employees and officials, and maintain payroll records as required..

Village Response:

Village officials are committed to correcting this exception and will implement procedures to help assure compliance with State accounting records requirements.

FINDING NUMBER 2006-009

Misclassification of Receipts – Significant Deficiency

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditor during a financial statements audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During 2006 the Village erroneously posted intergovernmental receipts and proceeds from sale of bonds as miscellaneous receipts, contributions, and other financing sources. This required reclassifications to properly present the activity of the Village for 2006.

We recommend the Village implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Village Response:

Village officials are committed to correcting this exception and will implement procedures to help assure receipts are properly classified.

FINDING NUMBER 2006-010

Securing Sensitive Financial Information – Significant Deficiency

Cash receipts, until deposits are made at the bank, and blank checks are kept at the Clerk’s residence in an unlocked drawer or vault. Not securing the receipts and blank checks could result in possible loss of Village funds.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-010 (Continued)

We recommend the Village adopt a policy to assure all sensitive financial information is safeguarded.

Village Response:

Village officials are committed to correcting this exception and will adopt necessary policies to help assure all financial information is safeguarded.

FINDING NUMBER 2006-011

Filing IRS Form #941 timely and Accurately as Required – Significant Deficiency

IRS form #941 is required to be completed and filed each quarter. The form reports wages paid for the quarter and the amount of federal taxes due for payment.

941 records were not included in the Village records presented for audit.

We recommend the Village file 941s each quarter, accurately recording earned wages. Furthermore, 941s should be reconciled yearly to the annual payroll journal to help assure that all withholding and employer taxes are properly submitted.

Village Response:

Village officials are committed to correcting this exception and will implement procedures to help assure IRS quarterly reports are reconciled and filed timely.

FINDING NUMBER 2006-012

Disbursement Records, including Voided Checks – Material Weakness

The last check identified in the audit period, #13031, is unaccounted for. The check was not recorded in the accounting system nor was it reported as void. The Clerk did not provide information.

Three checks in 2005, totaling \$2,047, were cashed but recorded as void in the Village payment register. Ten checks in 2006, totaling \$2,908 were voided in the payment register and actually cashed or marked as cashed in the payment register.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-012 (Continued)

We recommend the Village properly enter information in the accounting system timely and retain all voided checks. Incorrect recording of disbursements will cause financial statements and cash balances to be incorrectly stated.

Village Response:

Village officials are committed to correcting this exception and will implement procedures to help assure disbursements are properly recorded and all voided checks are retained.

FINDING NUMBER 2006-013

Lack of Segregation – Material Weakness

The Clerk handles all financial record-keeping, including posting receipts and making disbursements. Checks currently require only one signature.

To reduce the risk of potential errors and fraud, we recommend the Village adopt a policy requiring a minimum of two signatures on all checks written over \$500.00. We also recommend the second signature be an individual that serves on the Village Council.

Village Response:

Village officials are committed to correcting this exception and will implement procedures to correct this weakness.

Village of Pittsburg
Darke County
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	Revised Code Section 5705.41 (D), failure to certify the availability of funds prior to incurring obligations.	No	Not corrected, reissued as Finding 2006-001



Mary Taylor, CPA
Auditor of State

VILLAGE OF PITSBURG

DARKE 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
JANUARY 3, 2008**