VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2011-2010

VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

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Village of Mount Pleasant
Jefferson County
PO Box 445
Mount Pleasant, Ohio 43939

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Dave Yost
Auditor of State

March 5, 2014

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Mount Pleasant
Jefferson County
PO Box 445
Mount Pleasant, Ohio 43939

To the Village Council:

We have audited the accompanying financial statements of the Village of Mount Pleasant, Jefferson County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

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

Instead of the funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

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

Also, in our opinion, except for the omission of receipt and disbursement classifications for 2011 and 2010, the financial statements referred to above present fairly, in all material respects, the fund cash balances as of December 31, 2011 and 2010 of the Village of Mount Pleasant, Jefferson County and its unclassified cash receipts and unclassified cash disbursements, for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2014 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Dave Yost

Dave Yost
Auditor of State

March 5, 2014

VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

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

	Governmental Fund Types		
	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Total Cash Receipts	$83,131	$44,290	$127,421
Cash Disbursements			
Total Cash Disbursements	69,398	48,412	117,810
Excess of Receipts Over (Under) Disbursements	13,733	(4,122)	9,611
Fund Cash Balances, January 1	(21,850)	23,874	2,024
Fund Cash Balances, December 31			
Restricted		19,752	19,752
Unassigned (Deficit)	(8,117)		(8,117)
Fund Cash Balances, December 31	($8,117)	$19,752	$11,635

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

VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

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

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Total Operating Cash Receipts	$97,889
Operating Cash Disbursements	
Total Operating Cash Disbursements	90,051
Operating Income (Loss)	7,838
Fund Cash Balances, January 1	4,452
Fund Cash Balances, December 31	$12,290

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

VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

COMBINED STATEMENT OF UNCLASSIFIED RECEIPTS, UNCLASSIFIED DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types		
	General	**Special Revenue**	**Totals (Memorandum Only)**
Cash Receipts			
Total Cash Receipts	$127,078	$53,470	$180,548
Cash Disbursements			
Total Cash Disbursements	131,952	46,421	178,373
Total Receipts Over/(Under) Disbursements	(4,874)	7,049	2,175
Fund Cash Balances, January 1	(16,976)	16,825	(151)
Fund Cash Balances, December 31	($21,850)	$23,874	$2,024

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

VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

COMBINED STATEMENT OF UNCLASSIFIED RECEIPTS, UNCLASSIFIED DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Proprietary Fund Types
	Enterprise
Cash Receipts	
Total Cash Receipts	$88,336
Cash Disbursements	
Total Cash Disbursements	103,227
Net Receipts Over/(Under) Disbursements	(14,891)
Fund Cash Balances, January 1	19,343
Fund Cash Balances, December 31	$4,452

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

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 Mount Pleasant, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street construction, maintenance and repair, water utilities, and park operations. The Village contracts with the Mount Pleasant Volunteer Fire Department to provide fire protection services.

The Village participates in the Public Entities Pool of Ohio public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:
The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP).

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Village did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of the Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

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

3. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Total deposits	$23,925	$6,476

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		$83,131	$83,131
Special Revenue		44,290	44,290
Enterprise		97,889	97,889
Total	$0	$225,310	$225,310

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		$69,398	($69,398)
Special Revenue		48,412	(48,412)
Enterprise		90,051	(90,051)
Total	$0	$207,861	($207,861)

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		$127,078	$127,078
Special Revenue		53,470	53,470
Enterprise		88,336	88,336
Total	$0	$268,884	$268,884

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		$131,952	($131,952)
Special Revenue		46,421	(46,421)
Enterprise		103,227	(103,227)
Total	$0	$281,600	($281,600)

Contrary to Ohio law, the Village did not adopt appropriations; therefore, budgetary expenditures exceeded appropriation authority in all funds for the years ended December 31, 2011 and 2010. Also, contrary to Ohio law, all appropriations exceeded estimated resources in all funds as the Village did not obtain a certificate of estimated resources.

The Village also had negative cash balances in several funds which is contrary to Ohio law.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan # CN22B	$31,671	0%
Fire Truck Loan # 19319	29,781	7.00%
Issue II Matching Funds Loan # 3785	12,725	6.75%
Police Cruiser Loan # 75680	7,795	4.71%
Ohio EPA - New Well Loan	18,748	0%
	$100,720	

The Ohio Public Works Commission (OPWC) Loan # CN22B was used for the Water System Improvement Phase II Project. The outstanding balance is being repaid in yearly installments of $3,726 and will mature in 2020. The loan is collateralized by future water revenue.

5. DEBT (Continued)

The Fire Truck Loan # 19319 dated October 21, 1998 with an interest rate of 7% was used to purchase a fire truck. The original loan amount of $68,000 is being repaid in semi-annual payments of $2,904.64 for 25 years and will mature on November 1, 2022. The taxing authority of the Village is the collateral for the loan.

The Issue II Matching Funds Loan # 3785 dated April 6, 1995 with an interest rate of 6.75% was used to pay the Village's matching funds required for a Street Improvement Project. The original loan amount of $64,078 is being repaid in monthly payments of $487 for sixteen years and will mature on July 6, 2014. The loan is collateralized by the Village's taxing authority.

The Police Cruiser Loan # 75680 was issued to purchase a police cruiser for the Village. The loan dated June 6, 2009 was for $14,710 at 4.71% for 5 years to mature on June 6, 2014. The loan is due in in monthly payments of $276 and the loan is collateralized by the Village's taxing authority.

The Ohio Environmental Protection Agency Loan was issued to purchase and install a new well for the Village. The loan issued in 2010 was for $25,000 at 0% to mature in 2011. The loan is due in monthly installments of $2,084 and the loan is collateralized by the Village's taxing authority. The Village did not pay off the loan during 2011. The Ohio EPA confirmed that the loan was paid off over 2012 and 2013. The total loan was paid off on June 17, 2013.

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

Year Ending December 31:	OPWC Loan # CN22B	Fire Truck Loan # 19319	Issue II Matching Funds Loan # 3785	Police Cruiser Loan # 75680	Ohio EPA New Well Loan
2012	$3,726	$5,809	$5,847	$3,313	$14,580
2013	3,726	5,809	5,847	3,313	4,168
2014	3,726	5,809	5,847	1,657	
2015	3,726	5,809			
2016	3,726	5,809			
2017-2021	13,041	6,737			
2022-2026					
Total	$31,671	$35,782	$17,541	$8,283	$18,748

6. RETIREMENT SYSTEM

Ohio Public Employees Retirement System is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

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

7. RISK MANAGEMENT

The Village of Mount Pleasant is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained $350,000 for casualty claims and $150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

	2011	2010
Assets	$33,362,404	$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	$19,175,131	$20,631,198

At December 31, 2011 and 2010, respectively, the liabilities above include approximately $13 million and $12.9 million of estimated incurred claims payable. The assets above also include approximately $12.1 million and $12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Government's share of these unpaid claims collectible in future years is approximately $5,000.

7. RISK MANAGEMENT (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2011	**2010**
$5,372	$5,683

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Mount Pleasant
Jefferson County
PO 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 District) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 5, 2014, which was qualified since the Village did not classify receipts and disbursements in its financial statements. The Village attempted to follow accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in United States of America. During 2011, the Village also implemented Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and timely corrected. We consider findings 2011-003 and 2011-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-004.

We also noted certain matters not requiring inclusion in this report that we reported to Village's management in a separate letter dated March 5, 2014.

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

Dave Yost

Dave Yost
Auditor of State

March 5, 2014

VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

Finding Number	2011-001

MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.10(I) provides that all money paid into a fund must be used for the purpose for which fund had been established. A negative balance indicates that money from another fund(s) has been used to pay the obligations of the fund with the deficit cash balance. The following funds had negative fund balances:

2010:

Fund	Fund Balance
General	($21,850)
Police Levy Fund	(183)
Cemetery Fund	(1,142)

2011:

Fund	Fund Balance
General Fund	($8.852)
Street Construction, Maintenance, Repair Fund	(4,186)
Police Levy Fund	(190)

The Clerk/Treasurer should monitor all fund balances throughout the year and notify Council if a negative fund balance occurs. Controls should be in place to prevent deficit spending.

Finding Number	2011-002

MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.38 requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed. **Ohio Revised Code Section 5705.41(B)** provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village did not adopt an appropriation measure for 2011 or 2010 causing 100% of the expenditures to exceed appropriations. Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored could result in overspending.

The Village should pass an appropriation measure 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 appropriation limitations.

Finding Number	2011-003

MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Revised Code Section 733.28 and Ohio Administrative Code 117-2-02(A) require the village clerk/treasurer to maintain accurate and complete accounting records sufficient to assure accountability for all transactions. The following items were noted:

1. Accurate monthly bank reconciliations were not prepared and did not include all bank accounts of the Village during 2011 and 2010. Several transactions were not posted to the Village ledgers.

2. The Village's cash journal, receipts ledger and appropriation ledger were not complete or accurate. The specific deficiencies were that the cash journal did not include all information necessary to properly classify each transaction and the receipts and appropriation ledgers were not used to assemble and classify transactions into separate accounts for each type of receipt or disbursement, respectively. Monthly and year-to-date totals were not presented on the ledgers. The ledgers were not reconciled to the cash journal and did not agree to the original bank reconciliation.

The deficiencies in the accounting records and the monthly bank to book reconciliations have resulted in the adjustments to the financial statements. The Village Clerk/Treasurer has agreed to the adjustments and these corrected amounts are reflected in the accompanying financial statements. The adjustments are listed below.

Finding Number	2011-003 (Continued)

Adjustments – 2010

Fund Name	Account Type	Amount	Description
General Fund	Receipts	$445	Receipts were not posted to the accounting records.
General Fund	Disbursements	$135	Balancing entry.
General Fund Street CMR Fund State Highway Fund Police Levy Fund Cemetery Fund Fire Protection Fund Fire Equipment Fund EMS Fund	Receipts	$2,657 ($4,482) ($363) $258 $357 $1,208 $2,282 $793	Intergovernmental and tax receipts were not properly posted to the accounting records.
General Fund Police Levy Fund Cemetery Fund Fire Protection Fund Fire Equipment Fund EMS Fund	Disbursements	2,193 $27 $38 $127 $241 $84	Tax deductions were not posted to the accounting records.

Adjustments 2011:

Fund Name	Account Type	Amount	Description
General Fund	Receipts	$48	Posted twice in the cash journal.
General Fund	Disbursements	$415	Posted twice in the cash journal.
General Fund	Receipts	$15	Not posted in the accounting records.
General Fund	Disbursements	$99	Balancing entry.
General Fund Street CMR Fund State Highway Fund Police Levy Fund Cemetery Fund Fire Protection Fund Fire Equipment Fund EMS Fund	Receipts	$2,989 ($4,879) ($396) $262 $357 $1,232 $2,253 $790	Intergovernmental and tax receipts were not properly posted to the accounting records.
General Fund Police Levy Fund Cemetery Fund Fire Protection Fund Fire Equipment Fund EMS Fund	Disbursements	$1,984 $33 $45 $153 $292 $101	Tax deductions were not posted to the accounting records.

Finding Number	2011-003 (Continued)

Failure to maintain accurate and complete accounting records and consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Clerk/Treasurer should maintain accurate and complete accounting records sufficient to assure accountability for all transactions, including accurate and timely bank to book monthly cash reconciliations and complete and accurate accounting records. The Clerk/Treasurer should also maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to a uniform chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported.

Finding Number	2011-004

MATERIAL NONCOMPLIANCE

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

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

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

   If the amount involved is less than $3,000 the Clerk/Treasurer may authorize payment through a Then and Now Certificate without affirmation of Council if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Finding Number	2011-004 (Continued)

3. **Super Blanket Certificate** – Council may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the Clerk/Treasurer 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 may be outstanding a particular time for any line item appropriation.

   The Clerk/Treasurer did not certify or record the amount against the applicable appropriation accounts for 100 percent of expenditures tested during 2010 and 2011. The Village did not utilize the certification process.

   Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

   The Fiscal Officer should inform the Village Council of the requirements of Ohio Rev. Code Section 5705.41(D). The Village should implement the use of so called then and now certificates and blanket certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which arise from time to time. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

   To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

   We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer and Council should sign the certification prior to the Village incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. In addition, all purchase orders should be pre-numbered and signed by the Fiscal Officer and Council.

Finding Number	2011-005

MATERIAL WEAKNESS

The Clerk/Treasurer did not maintain all supporting documentation for receipts collected or for disbursements. We noted no supporting documentation was maintained for 6.7 percent (two receipts out of 30) tested (ie check stub); however, all were traced to bank. We also noted that 34 percent (12 out of 35) disbursements tested were missing invoices; however, we were able to determine those purchases were for proper public purpose by inspection or nature of the purchase. This could result in improper posting of receipts, illegal expenditures and improper reporting.

The Clerk/Treasurer should maintain all supporting documentation for all receipts collected and disbursements made by the Village. This will help ensure proper posting and reporting of Village receipts and disbursements.

Official's Response: We did not receive a response from officials for the findings reported above.

VILLAGE OF MOUNT PLEASANT
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2009-001	Ohio Revised Code Section 5705.41(D) Disbursements were not properly certified.	No	Repeated as Finding Number 2011-004.
2009-002	Ohio Revised Code Sections 5705.38 and 5705.41(B) The Village did not adopt an appropriation measure for 2009 or 2008; therefore, all disbursements exceeded appropriations.	No	Repeated as Finding Number 2011-002.
2009-003	Ohio Revised Code Section 733.28 and Ohio Administrative Code 117-2-02(A) The Village clerk/treasurer did not maintain accurate and complete accounting records.	No	Repeated as Finding Number 2011-003.

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Dave Yost • 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
JUNE 17, 2014

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