

VILLAGE OF PITTSBURG
DARKE COUNTY
REGULAR AUDIT
JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
YEARS AUDITED UNDER GAGAS: 2008 AND 2007

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, 2007 through December 31, 2008. 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

September 8, 2009

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**VILLAGE OF PITTSBURG
DARKE COUNTY**

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Caudill & Associates, CPA's

725 5th Street
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
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Independent Auditor's Report

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

We have audited the accompanying financial statements of Village of Pittsburg (the Village), Darke County, as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As 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, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2008 and 2007. 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, 2008 and 2007, 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, 2008 and 2007, or its changes in financial position of cash flows of its proprietary fund 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 and reserves for encumbrances of the Village as of the December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Village of Pittsburg
Independent Auditor's Report

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, 2008 and 2007. 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 May 31, 2009, 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, CPA's

Caudill & Associates, CPA's

May 31, 2009

**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, 2008**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Cash Receipts:</u>					
Property and Other Taxes	\$ 34,239	\$ 10,115	\$ 2,029	\$ -	\$ 46,383
Intergovernmental Receipts	46,435	46,243	-	-	92,678
Fines License and Permits	1,857	-	-	-	1,857
Charge for Service	723	25,935	-	-	26,658
Earnings on Investment	1,151	-	-	-	1,151
Miscellaneous	268	2,818	-	-	3,086
Total Cash Receipts	84,673	85,111	2,029	-	171,813
<u>Disbursements:</u>					
Current:					
Security of Persons and Property	14,665	37,330	-	-	51,995
General Government	43,141	97	48	-	43,286
Basic Utility Service	2,380	1,064	-	-	3,444
Health	817	-	-	-	817
Transportation	-	66,383	-	-	66,383
Leisure Time Activities	3,565	3,124	-	-	6,689
Capital Outlay	-	49	-	-	49
Debt Service					
Principal Payments	1,075	1,075	-	-	2,150
Total Cash Disbursements	65,643	109,122	48	-	174,813
Total Receipts Over (Under) Disbursements	19,030	(24,011)	1,981	-	(3,000)
<u>Other Financing Receipts (Disbursements):</u>					
Extraordinary Item	3,000	4,741	-	-	7,741
Total Other Financing Receipts (Disbursements)	3,000	4,741	-	-	7,741
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements					
	22,030	(19,270)	1,981	-	4,741
Fund Cash Balance, January 1	43,655	236,545	7,357	3,357	290,914
Fund Cash Balance, December 31	\$ 65,685	\$ 217,275	\$ 9,338	\$ 3,357	\$ 295,655
Reserve For Encumbrance, December 31	\$ 13,815	\$ 874	\$ -	\$ -	\$ 14,689

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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
<u>Cash Receipts:</u>	
Charge for Service	\$ -
Total Cash Receipts	-
<u>Disbursements:</u>	
Current:	
Transportation	30,000
Contractual Services	81,867
Total Cash Disbursements	111,867
Total Receipts Over (Under) Disbursements	(111,867)
<u>Other Financing Receipts (Disbursements):</u>	
Proceeds from Sale of Notes	131,808
Total Other Financing Receipts (Disbursements)	131,808
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	19,941
Fund Cash Balance, January 1	-
Fund Cash Balance, December 31	\$ 19,941

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, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Taxes	\$ 19,369	\$ 21,460	\$ -	\$ -	\$ 40,829
Intergovernmental Receipts	49,385	50,110	-	-	99,495
Fines License and Permits	445	-	-	-	445
Charge for Service	890	24,000	-	-	24,890
Earnings on Investment	1,427	-	-	-	1,427
Miscellaneous	1,799	945	-	-	2,744
Total Cash Receipts	73,315	96,515	-	-	169,830
Disbursements:					
Current:					
Security of Persons and Property	9,368	32,168	-	-	41,536
General Government	66,188	55	-	-	66,243
Health	866	-	-	-	866
Transportation	-	15,601	-	-	15,601
Leisure Time Activities	523	4,769	-	-	5,292
Capital Outlay	45,864	-	-	183	46,047
Debt Service:					
Principal Payments	-	-	1,075	-	1,075
Total Cash Disbursements	122,809	52,593	1,075	183	176,660
Total Receipts Over (Under) Disbursements	(49,494)	43,922	(1,075)	(183)	(6,830)
Other Financing Receipts (Disbursements):					
Other Financing Sources	936	-	-	-	936
Sales of Notes	45,864	-	-	-	45,864
Total Other Financing Receipts (Disbursements)	46,800	-	-	-	46,800
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements					
	(2,694)	43,922	(1,075)	(183)	39,970
Fund Cash Balance, January 1	46,349	192,623	8,432	3,540	250,944
Fund Cash Balance, December 31	<u>\$ 43,655</u>	<u>\$ 236,545</u>	<u>\$ 7,357</u>	<u>\$ 3,357</u>	<u>\$ 290,914</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, 2008 AND 2007**

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 (leisure time activities), and Fire and Rescue Services. The Village contracts with Darke County Sheriff's department to provide security of persons and property.

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

B. 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 report gains or losses at the time of sale as receipts or disbursement, 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 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 Sewer Fund – This fund receives levy proceeds for construction and maintenance of a sewer system within the Village.

Fire Department Fund – The fund receives revenue from adjoining municipalities for fire protection and rescue services provided by the Village's volunteer fire department.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (Continued)

3. Debt Service Fund

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

Sewer Fund – This fund receives Levy proceeds to service OWDA loan used for construction of Sewer system.

4. 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 capital project fund.

Sanitary Sewer Fund – This fund receives the proceeds of OWDA loans used for the construction of a sewer system.

5. Proprietary Funds

These funds account for activities that are financed primarily through charges for goods or service. The Village had the following proprietary fund.

Waste Water Enterprise Fund – This fund was established during 2008 to receive surcharges generated from and used for the maintenance and operation of a sewer system within the Village.

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. Unencumbered 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 re-appropriated. There were no outstanding encumbrances as of 12/31/07.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**VILLAGE OF PITTSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

	2008	2007
Demand Deposits	\$309,596	\$284,914
Certificate of Deposit	6,000	6,000
Total Deposits	\$315,596	\$290,914

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, up to \$100,000 per account. Excess fund as are insured by pooled collateral. As of October 3rd, 2008 the FDIC temporarily increased the automatic coverage of accounts to \$250,000. This coverage will expire January 1, 2010.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,387	\$87,673	\$8,286
Special Revenue	59,505	89,852	30,347
Debt Service	10,720	2,029	(8,691)
Capital Projects	315	-	(315)
Enterprise	-	131,808	131,808
Total	\$149,927	\$311,362	\$161,435

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$128,207	\$79,458	\$48,749
Special Revenue	542,341	109,996	432,345
Debt Service	18,077	48	18,029
Capital Projects	447	-	447
Enterprise	117,444	111,867	5,577
Total	\$806,516	\$301,369	\$505,147

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,427	\$120,115	\$39,688
Special Revenue	58,852	96,515	37,663
Debt Service	10,910	-	(10,910)
Capital Projects	8,000	-	(8,000)
Total	\$158,189	\$216,630	\$58,441

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$175,863	\$122,809	\$53,054
Special Revenue	251,475	52,593	198,882
Debt Service	19,342	1,075	18,267
Capital Projects	8,315	183	8,132
Total	\$454,995	\$176,660	\$278,335

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village council 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.

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, 2008 was as follows:

	Principal	Interest Rate
OWDA Loan 4194	3,762	0.00%
OWDA Loan 4196	3,762	0.00%
OWDA Loan 4707	147,672	2.75%
Greenville Federal Notes	30,000	4.54%
	\$ 185,196	

The OWDA loans relate to the design and construction of a wastewater treatment project that was mandated by the Ohio Environmental Protection Agency. Loans 4194 and 4196 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, which began in 2007. Loan 4707 originated in 2007, and principal was added in 2008, at 2.75 percent interest, and was used in the design phase of the waste water project. This loan will be repaid in annual installments of \$26,866 over, six years, beginning in 2009.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

5. DEBT (Continued)

All OWDA loans are collateralized by future sewer surcharge receipts. The Village has agreed to set rate sufficient to service the debt.

The Greenville Federal Note relates to the purchase of land for use in wastewater treatment project. It originated in 2008, at 4.54 percent interest. This note will be repaid in annual installments of \$15,860, over the next two years, beginning in 2009. This note is collateralized by the Village's taxing authority.

Amortization of the above debt, including interest, follows:

Year Ending December 31	OWDA Loan 4194	OWDA Loan 4196	OWDA Loan 4707	Greenville Federal Note	Total
2009	\$ 538	\$ 538	\$ 26,866	\$ 15,860	\$ 43,802
2010	538	538	26,866	15,860	43,802
2011	538	538	26,866	-	27,942
2012	538	538	26,866	-	27,942
2013	538	538	26,866	-	27,942
2014-18	1,072	1,072	26,866	-	29,010
Total	<u>\$ 3,762</u>	<u>\$ 3,762</u>	<u>\$ 161,196</u>	<u>\$ 31,720</u>	<u>200,440</u>

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 of the Public Retirement Service System. As of December 31, 2008, 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:

- Comprehensive property and general liability;
- Vehicles;
- Contractors Equipment; and
- Errors and Omissions.

8. COMPLIANCE

- (1) Contrary to Ohio Revised Code section 5705.41(D)(1) the Village did not properly certify availability of funds prior to obligation for 95.8% of purchases tested in 2007 and 70.3% of purchases tested in 2008.
- (2) Contrary to Ohio Revised Code section 5705.36 the Village did not properly file amended certificates of estimated resource when deficient revenues would have caused available resources to fall below the current level of appropriation. This occurred in the General, Debt Service, and Capital Projects Funds during 2007 and also in the Street Construction Maintenance and Repair, Storm Sewer, Storm Drain, and Debt Service Funds during 2008.
- (3) Contrary to Ohio Revised Code section 5705.39 the Village appropriations exceed what was certified on the certificate of estimate resources filed with the county Auditor. This occurred in the General fund during 2007 and also in the General, Storm Sewer, Fire Department, and Enterprise Funds during 2008.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

9. EXTRAORDINARY ITEMS

The extraordinary receipts represent the proceeds from an insurance settlement that resulted from wind damage to the Village Hall and Fire department buildings.

10. RELATED PARTIES

During the Audit Period the Village engaged in the following related party transaction:

- (1) Kacie Mong, Granddaughter of Mayor Jack Mong, was paid \$300 for cleaning the Village Hall during 2007 and \$125 for cleaning the Village Hall during 2008.
- (2) Keshia Mong, Granddaughter of Mayor Jack Mong, was paid \$300 for cleaning the Village Hall during 2007 and \$125 for cleaning the Village hall during 2008.
- (3) Tanner Mong, Grandson of Mayor Jack Mong, was paid \$115 for performing various jobs during 2007.
- (4) Trey Mong, Grandson of Mayor Jack Mong, was paid \$115 for performing various jobs during 2007.
- (5) Mong Home Improvement, whose owner is the son of Mayor Jack Mong, was paid \$760 for improvements to the Village Hall during 2007 and \$228 for improvement to the Village Hall during 2008.
- (6) Denise Morris, wife of Council member Brian Morris, was paid \$240 during 2008 for Cleaning the Village Hall.

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

We have audited the accompanying financial statements of Village of Pittsburg (the Village), Darke County, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 31, 2009 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We 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 on 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.

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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2008-004, 2008-005, and 2008-006.

A material weakness is a significant deficiency, or a 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 deficiency described in finding 2008-006 in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting.

Village of Pittsburg
Darke County

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 three instance of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2008-001, 2008-002, and 2008-003.

We also noted certain immaterial matters that we reported to the Village's management in a separate letter dated May 31, 2009.

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

May 31, 2009

VILLAGE OF PITSBURG
DARKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

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

Ohio Rev. Code Section 5705.41 (D) 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):

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.

The Village did not properly certify the availability of funds prior to obligation for 95.8% of purchases tested in 2007 and 70.3% of the purchases tested in 2008.

This could lead to deficient spending and other budgetary problems for the Village.

We recommend the Village implement policies to ensure that all purchases first have monies certified by the Clerk Treasurer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

Village Response:

We received no response from the Village regarding this issue.

VILLAGE OF PITSBURG
DARKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007

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

FINDING 2008-002

Non Compliance Citation – Ohio Rev. Code Section 5705.36

Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC 5705.36 requires the Village to obtain an increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36 (A) (4) requires the Village to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Estimated receipts exceeded actual receipts in the General, Debt Service, and Capital Project Funds as December 31, 2007 causing actual resources to fall below the level of appropriation. This also occurred as of December 31, 2008 in the Street Construction Maintenance and Repair, Storm Sewer, Storm Drain, and Debt Service Funds during 2008.

This could allow deficit spending to occur.

We recommend the Village Clerk/Treasurer obtain a reduced certificate of estimated resources when it is determined that estimated receipts will be less than the actual receipts causing resources to fall below the level of appropriations. Approval of the modifications should be enacted and documented in the Village Minutes.

Village Response: We received no response from the Village regarding this issue.

FINDING 2008-003

Non Compliance Citation – Ohio Rev. Code Section 5705.39

Ohio Revised Code section 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated resources.

The Village made appropriations in excess of what was available for appropriations in 2007 concerning the General Fund. This also occurred in 2008 concerning the General, Storm Sewer, Fire Department, and Enterprise Funds.

This could allow deficient spending to occur

We recommend that the Village appropriate only those fund that are certified on the final amended certificate of estimated resources.

Village Response:

We received no response from the Village regarding this issue.

VILLAGE OF PITSBURG
DARKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007

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

FINDING 2008-004

Significant Deficiency – Misclassification or Receipts

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 auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This 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 2007 and 2008 the Village incorrectly recorded, with respect to classification, the receipt of property tax collections, intergovernmental receipts, and Debt Proceeds. These misclassifications required adjustment to properly present the activity of the Village.

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

Village Response:

We received no response from the Village regarding this issue.

FINDING 2008-005

Significant Deficiency – Securing Sensitive Financial Information

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

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

Village Response:

We have received no response from the Village regarding this issue.

**VILLAGE OF PITTSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

FINDING 2008-006

Significant Deficiency / Material Weakness – Lack of Segregation

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

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:

We received no response from the Village regarding this issue.

**VILLAGE OF PITTSBURG
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006 - 001	ORC 5705.41.(D) Untimely Certification of Funds	No	Reissue as finding 2008 - 001
2006 - 002	ORC 5705.41(B) Expenditures exceeding appropriations	Yes	N/A
2006 - 003	ORC 5705.40 Appropriation Amendments	Yes	N/A
2006 - 004	ORC 121.22 Recording of Minutes	Yes	N/A
2006 - 005	ORC 135.18 and 135.181 security of public deposits	Yes	N/A
2006 - 006	USC 1.6041-1 reporting of subcontractor payments	Yes	N/A
2006 - 007	ORC 4123.01 workers compensation insurance	Yes	N/A
2006 - 008	OAC 117-2-02(D) mainting W-2s and payroll records.	Yes	N/A
2006 - 009	Significant Deficiency - Misclassification of receipts	No	Reissue as Finding 2008 - 004
2006 - 010	Significant Deficiency - Securing sensitive financial information	No	Reissue as Finding 2008 - 005
2006 - 011	Significant Deficiency - Filing of form 941	Yes	N/A
2006 - 012	Material Weakness - Inaccurate Disbursement record	Yes	N/A
2006 - 013	Material Weakness - Lack of Segregation	No	Reissue as Finding 2008 - 006



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
SEPTEMBER 22, 2009**