

VILLAGE OF PITTSBURG

DARKE COUNTY

REGULAR AUDIT

JANUARY 1, 2009 THROUGH DECEMBER 31, 2010

YEARS AUDITED UNDER GAGAS: 2009 and 2010



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Dave Yost • 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, CPAs, for the audit period January 1, 2009 through December 31, 2010. 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.

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Dave Yost
Auditor of State

October 17, 2011

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**VILLAGE OF PITSBURG
DARKE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Pitsburg, Darke County, (the Village) as of and for the years ended December 31, 2010 and 2009. 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.

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.

Instead of the combined 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.

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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows where applicable for the years then ended.

Village of Pittsburg
Darke County
Independent Auditor's Report (Continued)

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Pittsburg, Darke County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 July 20, 2011, 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.

A handwritten signature in blue ink that reads "Caudill & Associates, CPA". The signature is written in a cursive style and is located within a light blue rectangular box.

Caudill & Associates, CPA
July 20, 2011

**VILLAGE OF PITSBURG
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, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$ 21,389	\$ 17,059	\$ 4,645	\$ -	\$ 43,093
Intergovernmental	43,385	116,641	-	-	160,026
Special Assessments	-	152	-	-	152
Charges for Services	700	24,850	-	-	25,550
Earnings on Investments	329	-	-	-	329
Miscellaneous	5,157	797	-	-	5,954
	<u>70,960</u>	<u>159,499</u>	<u>4,645</u>	<u>-</u>	<u>235,104</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	15,439	124,309	-	-	139,748
Public Health Services	783	-	-	-	783
Leisure Time Activities	2,394	2,100	-	-	4,494
Basic Utility Service	2,526	1,040	-	-	3,566
Transportation	-	21,836	-	-	21,836
General Government	43,866	495	-	-	44,361
Debt Service:					
Redemption of Principal	-	-	1,075	-	1,075
	<u>65,008</u>	<u>149,780</u>	<u>1,075</u>	<u>-</u>	<u>215,863</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>5,952</u>	<u>9,719</u>	<u>3,570</u>	<u>-</u>	<u>19,241</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	-	800	-	-	800
Transfers-Out	(800)	-	-	-	(800)
	<u>(800)</u>	<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,152	10,519	3,570	-	19,241
Fund Cash Balances, January 1	<u>54,111</u>	<u>227,147</u>	<u>11,033</u>	<u>3,357</u>	<u>295,648</u>
Fund Cash Balances, December 31	<u>\$ 59,263</u>	<u>\$ 237,666</u>	<u>\$ 14,603</u>	<u>\$ 3,357</u>	<u>\$ 314,889</u>

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

**VILLAGE OF PITSBURG
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, 2010**

	Proprietary Fund Type
	Enterprise
Operating Cash Disbursements:	
Contractual Services	\$ 10,924
Total Operating Cash Disbursements	10,924
Operating Income/(Loss)	(10,924)
Non-Operating Cash Receipts:	
Intergovernmental	2,085,102
Special Assessments	77,577
Other Debt Proceeds	853,822
Total Non-Operating Cash Receipts	3,016,501
Non-Operating Cash Disbursements:	
Capital Outlay	2,865,386
Redemption of Principal	7,333
Other Non-Operating Cash Disbursements	219
Total Non-Operating Cash Disbursements	2,872,938
Net Receipts Over/(Under) Disbursements	132,639
Fund Cash Balances, January 1	80,508
Fund Cash Balances, December 31	\$ 213,147

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

**VILLAGE OF PITSBURG
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, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$ 11,422	\$ 10,762	\$ 2,770	\$ -	\$ 24,954
Intergovernmental	52,138	25,431	-	-	77,569
Special Assessments	-	191	-	-	191
Charges for Services	390	29,256	-	-	29,646
Earnings on Investments	339	26	-	-	365
Miscellaneous	3,292	2,978	-	-	6,270
	<u>67,581</u>	<u>68,644</u>	<u>2,770</u>	<u>-</u>	<u>138,995</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	13,987	38,080	-	-	52,067
Public Health Services	1,700	-	-	-	1,700
Leisure Time Activities	3,395	2,500	-	-	5,895
Community Environment	-	1,543	-	-	1,543
Basic Utility Service	2,606	-	-	-	2,606
Transportation	818	17,593	-	-	18,411
General Government	55,149	556	-	-	55,705
Debt Service:					
Redemption of Principal	-	-	1,075	-	1,075
	<u>77,655</u>	<u>60,272</u>	<u>1,075</u>	<u>-</u>	<u>139,002</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(10,074)</u>	<u>8,372</u>	<u>1,695</u>	<u>-</u>	<u>(7)</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	-	1,500	-	-	1,500
Transfers-Out	(1,500)	-	-	-	(1,500)
	<u>(1,500)</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(11,574)</u>	<u>9,872</u>	<u>1,695</u>	<u>-</u>	<u>(7)</u>
Fund Cash Balances, January 1	<u>65,685</u>	<u>217,275</u>	<u>9,338</u>	<u>3,357</u>	<u>295,655</u>
Fund Cash Balances, December 31	<u>\$ 54,111</u>	<u>\$ 227,147</u>	<u>\$ 11,033</u>	<u>\$ 3,357</u>	<u>\$ 295,648</u>

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

**VILLAGE OF PITSBURG
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, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Disbursements:	
Contractual Services	\$ 14,734
Total Operating Cash Disbursements	14,734
Operating Income/(Loss)	(14,734)
Non-Operating Cash Receipts:	
Intergovernmental	324,977
Special Assessments	32,015
Other Debt Proceeds	283,925
Total Non-Operating Cash Receipts	640,917
Non-Operating Cash Disbursements:	
Capital Outlay	358,836
Redemption of Principal	205,658
Interest and Other Fiscal Charges	1,122
Total Non-Operating Cash Disbursements	565,616
Net Receipts Over/(Under) Disbursements	60,567
Fund Cash Balances, January 1	19,941
Fund Cash Balances, December 31	\$ 80,508

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, 2010 AND 2009**

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 directs the Village. The Village provides general government services including park operations (leisure time activities), and fire protection and rescue services. The Village contracts with the 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. 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).

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

C. Deposits 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 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 funds:

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

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

Storm Sewer Fund – This fund receives levy proceeds for construction and maintenance of a sewer system within the Village.

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

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

Sewer Fund - This fund receives levy proceeds to service OWDA loans used for the construction of a sewer system within the Village.

4. Capital Projects Fund

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 within the Village.

5. Proprietary Fund

These funds account for activities that are financed primarily through charges for goods or services. The Village had the following Proprietary Fund:

Waste Water Enterprise Fund - This fund was established to receive surcharges generated from and used for the maintenance and operation of a sewer system within the Village. No monies have been received from customers as the sewer system has not been completed as of December 31, 2010.

E. 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. There were no outstanding encumbrances as of December 31, 2010 and 2009.

A summary of 2010 and 2009 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.

2. Equity in Pooled Deposits and Investments

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

	2010	2009
Demand deposits	\$ 522,036	\$ 370,156
Certificates of deposit	6,000	6,000
Total deposits	\$ 528,036	\$ 376,156

Deposits: Deposits are insured by the Federal Depository Insurance Corporation. Excess funds are insured by pooled collateral.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

Fund Type	2010 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 59,617	\$ 70,960	\$ 11,343
Special Revenue	264,248	160,299	(103,949)
Debt Service	4,670	4,645	(25)
Capital Projects	-	-	-
Enterprise	5,008,000	3,016,501	(1,991,499)
Total	\$ 5,336,535	\$ 3,252,405	\$ (2,084,130)

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 114,550	\$ 65,808	\$ 48,742
Special Revenue	399,293	149,780	249,513
Debt Service	18,480	1,075	17,405
Capital Projects	3,357	-	3,357
Enterprise	5,161,312	2,883,862	2,277,450
Total	<u>\$ 5,696,992</u>	<u>\$ 3,100,525</u>	<u>\$ 2,596,467</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 72,487	\$ 67,581	\$ (4,906)
Special Revenue	41,574	70,144	28,570
Debt Service	4,700	2,770	(1,930)
Capital Projects	-	-	-
Enterprise	35,832	640,917	605,085
Total	<u>\$ 154,593</u>	<u>\$ 781,412</u>	<u>\$ 626,819</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 144,446	\$ 79,155	\$ 65,291
Special Revenue	281,978	60,272	221,706
Debt Service	14,039	1,075	12,964
Capital Projects	132	-	132
Enterprise	90,150	580,350	(490,200)
Total	<u>\$ 530,745</u>	<u>\$ 720,852</u>	<u>\$ (190,107)</u>

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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.

Public utilities are also taxed on personal and real personal property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Debt

Debt outstanding at December 31, 2010 was as follows:

Description	Principal	Interest Rate
OWDA Loan 4194	\$ 2,686	0.00%
OWDA Loan 4196	2,686	0.00%
OWDA Loan 5273	1,102,431	0.00%
Total	<u>\$ 1,107,803</u>	

The OWDA loans relate to the design and construction of a wastewater treatment project that was mandated by the Ohio Environmental Protection Agency.

OWDA 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 ten years, which began in 2007.

OWDA 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 wastewater project. This loan was repaid in full on November 3, 2009 as part of the OWDA loan 5273 issuance.

OWDA loan 5273 originated in 2009 at zero percent interest, and was used in the construction phase of the wastewater project and to repay OWDA loan 4707. This loan will be repaid in semi-annual installments over twenty years, which begin in July of 2011. Amortization of this loan has not yet been completed by OWDA.

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

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

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

Year Ending December 31	OWDA Loan 4194	OWDA Loan 4196	Total
2011	\$ 538	\$ 538	\$ 1,076
2012	538	538	1,076
2013	538	538	1,076
2014	538	538	1,076
2015	534	534	1,068
Total	<u>\$ 2,686</u>	<u>\$ 2,686</u>	<u>\$ 5,372</u>

6. Retirement Systems

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, 2010, all Village officials have elected to pay Social Security. The Village liability is 6.2% of the wages paid.

The Village has paid all contributions required through December 31, 2010.

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. Related Party Transactions

Denise Morris, wife of Council Member Brian Morris, was paid \$720 during 2009 and \$720 during 2010 for cleaning the Village Hall. Mr. Morris abstained from voting on the hire.

9. Compliance

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not properly certify the availability of funds prior to obligation for 25% and 3% disbursements tested in 2009 and 2010, respectively.

Contrary to Ohio Rev. Code Section 5705.36, the Village did not properly file amended certificates of estimated resources when deficit revenues would have caused available resources to fall below the current level of appropriation. This occurred in the General and Sewer Funds during 2009 and in the Sewer and Waste Water Enterprise Funds during 2010.

Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources in the General, Fire Department, Sewer and Waste Water Enterprise Funds during 2009. Appropriations exceeded estimated resources in the Sewer and Waste Water Enterprise Funds during 2010.

Contrary to Ohio Rev. Code Section 5705.41(B), appropriations exceeded actual resources in the Waste Water Enterprise Fund during 2009.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the financial statements of the Village of Pittsburg, Darke County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 20, 2011 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 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 and responses we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2010-05 described in the accompanying schedule of findings and responses to be a material weakness.

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 four instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as items 2010-01, 2010-02, 2010-03 and 2010-04.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 20, 2011.

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.

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

A handwritten signature in blue ink that reads "Caudill & Associates, CPA". The signature is written in a cursive style and is located on a light-colored rectangular background.

Caudill & Associates, CPA
July 20, 2011

**VILLAGE OF PITTSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

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 the Ohio Rev. Code Section 5705.41 (D) (1):

Then and Now Certificate: If the fiscal officer can certify that both at the time 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 25% and 3% disbursements tested in 2009 and 2010, respectively.

We recommend the Village implement policies to ensure that all purchases first have monies certified by the fiscal officer 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:

I am currently using the Then and Now Certificates.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-02

Noncompliance Citation – Ohio Rev. Code Section 5705.36

Ohio Rev. 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 Rev. 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.

The Village did not properly file amended certificates of estimated resources when deficit revenues would have caused available resources to fall below the current level of appropriation. This occurred in the General and Sewer Funds during 2009 and in the Sewer and Waste Water Enterprise Funds during 2010.

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:

I will attend classes the State Auditor’s Office offers to Village clerks for budgeting and appropriations. I understand that I should review my appropriations and budget toward the end of the year to reduce the chance of deficit spending that could occur.

FINDING NUMBER 2010-03

Noncompliance Citation – Ohio Rev. Code Section 5705.39

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

Appropriations exceeded estimated resources in the General, Fire Department, Sewer and Waste Water Enterprise Funds during 2009. Appropriations exceeded estimated resources in the Sewer and Waste Water Enterprise Funds during 2010.

This could allow deficit spending to occur.

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

Village Response:

The classes should help me understand the budgeting and appropriation process.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-04

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

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

Appropriations exceeded actual resources in the Waste Water Enterprise Fund during 2009.

This could allow deficit spending to occur.

We recommend that the Village only expend monies that have been appropriated.

Village Response:

The classes should help me understand the budgeting and appropriation process.

FINDING NUMBER 2010-05

Material Weakness – Recording Receipts and Pass-Through Monies

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. 115 establishes standards, responsibilities and guidance for audits during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the engagement that are considered deficiencies, significant deficiencies or material weaknesses.

During 2009 and 2010, the Village erroneously posted receipts to the incorrect line item. Also in 2009 and 2010, the Village failed to post receipts and disbursements related to an Ohio Public Works Commission pass-through grant to fund a wastewater project. The Village did not post the grant award receipts and subsequent disbursements made directly to the contractors by the County on behalf of the Village. Adjustments were required to properly record 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 misstatements in the financial statements and footnotes.

Village Response:

There was a miscommunication of the procedure I was suppose to follow concerning the money flow through our books.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-01	Noncompliance citation – ORC 5705.41(D)	No	Reissued as Finding 2010-01
2008-02	Noncompliance citation – ORC 5705.36	No	Reissued as Finding 2010-02
2008-03	Noncompliance citation – ORC 5705.36	No	Reissued as Finding 2010-03
2008-04	Significant deficiency – Misclassification of receipts	No	Reissued as Finding 2010-05
2008-05	Significant deficiency – Securing sensitive financial information	Yes	No longer valid
2008-06	Significant deficiency/ material weakness – Lack of segregation	Yes	No longer valid



Dave Yost • 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
NOVEMBER 10, 2011