



Dave Yost • Auditor of State

VILLAGE OF PITSBURG
DARKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Pittsburg, Darke County, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Pittsburg, Darke County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Pittsburg adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which resulted in restatement of fund balance. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 11, 2013

**VILLAGE OF PITSBURG
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$17,979	\$16,049		\$34,028
Intergovernmental	32,851	21,537		54,388
Special Assessments		304		304
Charges for Services	624	25,719		26,343
Fines, Licenses and Permits	5,308			5,308
Earnings on Investments	320			320
Miscellaneous	93	400		493
Total Cash Receipts	<u>57,175</u>	<u>64,009</u>		<u>121,184</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	17,107	21,290		38,397
Leisure Time Activities	2,180			2,180
Basic Utility Services	1,782			1,782
Transportation		23,176		23,176
General Government	42,275	554		42,829
Capital Outlay			\$1,480	1,480
Total Cash Disbursements	<u>63,344</u>	<u>45,020</u>	<u>1,480</u>	<u>109,844</u>
Total Receipts Over/(Under) Disbursements	<u>(6,169)</u>	<u>18,989</u>	<u>(1,480)</u>	<u>11,340</u>
Other Financing Receipts:				
Sale of Capital Assets	2,500			2,500
Total Other Financing Receipts	<u>2,500</u>			<u>2,500</u>
Net Change in Fund Cash Balances	<u>(3,669)</u>	<u>18,989</u>	<u>(1,480)</u>	<u>13,840</u>
Fund Cash Balance, January 1	<u>54,268</u>	<u>242,602</u>	<u>3,357</u>	<u>300,227</u>
Fund Cash Balance, December 31:				
Restricted		254,034	1,877	255,911
Committed		7,557		7,557
Unassigned (Deficit)	50,599			50,599
Fund Cash Balance, December 31	<u>\$50,599</u>	<u>\$261,591</u>	<u>\$1,877</u>	<u>\$314,067</u>

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

**VILLAGE OF PITSBURG
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$63,689
Total Operating Cash Receipts	63,689
Operating Cash Disbursements:	
Personal Services	3,049
Employee Fringe Benefits	499
Contractual Services	52,116
Supplies and Materials	7,045
Total Operating Cash Disbursements	62,709
Operating Income	980
Non-Operating Receipts/Disbursements:	
Special Assessments	130,282
Other Debt Proceeds	77,746
Capital Outlay	(73,300)
Principal Retirement	(105,424)
Total Non-Operating Receipts/Disbursements	29,304
Net Change in Fund Cash Balances	30,284
Fund Cash Balance, January 1	231,745
Fund Cash Balance, December 31	\$262,029

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

**VILLAGE OF PITSBURG
DARKE COUNTY**

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

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$21,274	\$17,799		\$39,073
Intergovernmental	42,754	22,165		64,919
Special Assessments		1,092		1,092
Charges for Services	830	27,037		27,867
Fines, Licenses and Permits	5,158			5,158
Earnings on Investments	290	23		313
Miscellaneous	356	1,100		1,456
Total Cash Receipts	<u>70,662</u>	<u>69,216</u>		<u>139,878</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	15,506	26,704		42,210
Leisure Time Activities	3,371			3,371
Basic Utility Services	1,087	5,808		6,895
Transportation		44,738		44,738
General Government	55,488	635		56,123
Debt Service:				
Principal Retirement	1,075			1,075
Interest and Fiscal Charges	130			130
Total Cash Disbursements	<u>76,657</u>	<u>77,885</u>		<u>154,542</u>
Total Receipts Over/(Under) Disbursements	<u>(5,995)</u>	<u>(8,669)</u>		<u>(14,664)</u>
Other Financing Receipts/(Disbursements):				
Transfers In	1,000	1,352		2,352
Transfers Out		(2,352)		(2,352)
Advances In	581	581		1,162
Advances Out	(581)	(581)		(1,162)
Total Other Financing Receipts/(Disbursements)	<u>1,000</u>	<u>(1,000)</u>		
Net Change in Fund Cash Balances	<u>(4,995)</u>	<u>(9,669)</u>		<u>(14,664)</u>
Fund Cash Balance, January 1	<u>59,263</u>	<u>252,271</u>	<u>\$3,357</u>	<u>314,891</u>
Fund Cash Balance, December 31:				
Restricted		239,769	3,357	243,126
Committed		2,833		2,833
Unassigned (Deficit)	54,268			54,268
Fund Cash Balance, December 31	<u>\$54,268</u>	<u>\$242,602</u>	<u>\$3,357</u>	<u>\$300,227</u>

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

**VILLAGE OF PITSBURG
DARKE COUNTY**

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

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$58,609
Total Operating Cash Receipts	<u>58,609</u>
Operating Cash Disbursements:	
Personal Services	6,803
Employee Fringe Benefits	258
Contractual Services	74,866
Supplies and Materials	12,112
Total Operating Cash Disbursements	<u>94,039</u>
Operating (Loss)	<u>(35,430)</u>
Non-Operating Receipts/Disbursements:	
Intergovernmental	379
Special Assessments	133,147
Other Debt Proceeds	265,825
Capital Outlay	(246,674)
Principal Retirement	(98,649)
Total Non-Operating Receipts/Disbursements	<u>54,028</u>
Net Change in Fund Cash Balances	<u>18,598</u>
Fund Cash Balance, January 1	<u>213,147</u>
Fund Cash Balance, December 31	<u><u>\$231,745</u></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, 2012 AND 2011**

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 sewer utilities, park operations, 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 record disbursements for investment purchases or receipts for investment sales. This basis records 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Fire Department Fund – This fund receives revenue from adjoining municipalities to provide fire protection and rescue services for the village and adjoining municipalities.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Capital Projects Fund – This fund received proceeds to be used for the planning of a project.

4. 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:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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. 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 re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

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:

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

The Village classifies assets as *non-spendable* 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 amends 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.

G. 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. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND EQUITY

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND EQUITY (Continued)

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance at December 31, 2010
General	\$ 59,263		\$ 59,263
Special Revenue	\$237,668	\$14,603	\$252,271
Debt Service	\$ 14,603	(\$14,603)	
Capital Projects	\$ 3,357		\$3,357

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments 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:

	2012	2011
Demand deposits	\$570,096	\$525,972
Certificates of deposit	6,000	6,000
Total deposits	<u>\$576,096</u>	<u>\$531,972</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 59,059	\$ 59,675	\$ 616
Special Revenue	58,860	64,009	5,149
Capital Projects			
Enterprise	203,850	271,717	67,867
Total	<u>\$321,769</u>	<u>\$395,401</u>	<u>\$73,632</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,161	\$ 63,344	\$ 48,817
Special Revenue	112,196	45,020	67,176
Capital Projects	2,761	1,480	1,281
Enterprise	289,684	241,433	48,251
Total	<u>\$516,802</u>	<u>\$351,277</u>	<u>\$165,525</u>

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,627	\$72,243	\$5,616
Special Revenue	90,070	71,149	(18,921)
Capital Projects			
Enterprise	127,260	457,960	330,700
Total	\$283,957	\$601,352	\$317,395

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 92,326	\$ 77,238	\$ 15,088
Special Revenue	121,043	80,818	40,225
Capital Projects	3,357		3,357
Enterprise	205,426	439,362	(233,936)
Total	\$422,152	\$597,418	(\$175,266)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer fund by \$233,936 for the year ended December 31, 2011.

5. 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 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.

6. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
OWDA Loan 4196	\$ 1,613	2.2%
OWDA Loan 5273	1,223,488	0%
OPWC Loan CT19L	190,000	0%
Total	\$1,415,101	

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. DEBT (Continued)

The Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC) loans relate to a Sanitary Sewer Collection and Treatment project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,414,336 for loan 5273 to the Village for this project. The Village will repay this loan in semiannual installments of \$47,712 over 20 years. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Amortization schedules are not available at this time and are not anticipated being available until the project has been completed and the total amount of the loan is finalized. As such the outstanding principal from the loans at fiscal year-end 2012 is not included in the debt service schedule.

OWDA Loan 4196 was a planning loan that is being paid in annual installments of \$538 plus interest and is scheduled to be repaid in December 2015

The OPWC loan CT19L was approved and borrowed at \$200,000 for the Wastewater treatment plant project. The Village will repay this loan in semiannual installments of \$5,000 for a period of 20 years. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

Year ending December 31:	OWDA Loan 4196	OPWC Loan CT19L
2013	\$ 573	\$ 10,000
2014	561	10,000
2015	549	10,000
2016		10,000
2017		10,000
2018-2022		50,000
2023-2027		50,000
2028-2032		40,000
Total	\$1,683	\$190,000

7. RETIREMENT SYSTEMS

The Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village paid \$5,651 in 2011 for fines, penalties, and delinquent contributions. The Village has paid all contributions required through December 31, 2012.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. RELATED PARTY TRANSACTIONS

Denise Morris, wife of council member Brian Morris, was paid \$720 each year in 2012 and 2011 for cleaning the Village Hall.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Pitsburg, Darke County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 11, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-002 described in the accompanying schedule of findings 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, opining 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 2012-001 through 2012-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 11, 2013

VILLAGE OF PITSBURG
DARKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING 2012-001

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D)(1) states 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. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to 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. 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.
- C. Super Blanket Certificate** - The Village may also make expenditures and contract for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 13 of 45 (29%) transactions tested. Four of these transactions were "Then and Now" certificates for an amount greater than the \$3,000 threshold in which payment was not approved by resolution or ordinance within 30 days by the Village Council. Additionally we noted 2 instances where more than 1 blanket certificate was outstanding per line item appropriation.

**FINDING 2012-001
(Continued)**

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, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

Official's Response: Village Officials did not respond to the Finding.

FINDING 2012-002

NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Rev. Code Section 733.28 requires that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments. Additionally, **Ohio Admin. Code Section 117-2-02(A)**, states, in part, that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, and report the transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village's financial reports for 2012 and 2011 contained errors which resulted in reclassifications and adjustments to correctly report the financial activity during the period as follows:

2012 General Fund

- Beginning Fund Balance was overstated by \$4,012
- Miscellaneous Revenues were overstated by \$7,808
- Fines, Licenses and Permits Revenues were understated by \$5,308
- Sale of Capital Assets Revenues were understated by \$2,500
- Property and Other Taxes were overstated by \$1,729
- General Government Expenditures were understated by \$1,108
- Ending Unassigned Fund Balance was overstated by \$6,849

2012 Special Revenue Funds

- Beginning Fund Balance was understated by \$3,104
- Property and Other Taxes were overstated by \$3,398
- Intergovernmental Revenues were understated by \$3,398
- Ending Committed Fund Balance was overstated by \$17,031
- Ending Restricted Fund Balance was understated by \$20,135

2012 Debt Service Fund

- Beginning Fund Balance was overstated by \$653
- Property and Other Taxes were understated by \$1,729

**FINDING 2012-002
(Continued)**

2012 Enterprise Fund

- Beginning Fund Balance was understated by \$1,042
- Property and Other Taxes Revenues were overstated by \$78,498
- Intergovernmental Revenues were overstated by \$51,784
- Special Assessment Revenues were understated by \$130,282
- Contractual Services Expenditures were overstated by \$1,108
- Principal Retirement Expenditures were understated by \$10,000
- Interest and Other Fiscal Charges Revenues were overstated by \$10,000
- Capital Outlay Expenditures were understated by \$73,300
- Other Financing Sources Revenues were overstated by \$4,445
- Other Debt Proceeds were understated by \$77,745
- Ending Fund Balance was understated by \$2,150

2011 General Fund

- Beginning Fund Balance was overstated by \$4,713
- Miscellaneous Revenues were overstated by \$5,158
- Fines, Licenses and Permits Revenues were understated by \$5,158
- Intergovernmental Revenues were understated by \$190
- General Government Expenditures were overstated by \$894
- Principal Retirement Expenditures were understated by \$1,075
- Interest and Fiscal Charges were understated by \$130
- Ending Unassigned Fund Balance was overstated by \$4,834

2011 Special Revenue Funds

- Beginning Fund Balance was understated by \$3,216
- Property and Other Taxes Revenues were overstated by \$3,581
- Intergovernmental Revenues were understated by \$3,581
- Miscellaneous Revenues were overstated by \$112
- Ending Restricted Fund Balance was understated by \$308
- Ending Committed Fund Balance was understated by 2,796

2011 Debt Service Fund

- Beginning Fund Balance was overstated by \$653
- Property and Other Taxes were overstated by \$190
- Intergovernmental Revenues were understated by \$112

2011 Capital Projects Fund

- Capital Outlay Expenditures were understated by \$597
- Ending Restricted Fund Balance was understated by \$597

**FINDING 2012-002
(Continued)**

2011 Enterprise Fund

- Beginning Fund Balance was understated by \$2,150
- Property and Other Taxes Revenues were overstated by \$80,776
- Intergovernmental Revenues were overstated by \$52,371
- Special Assessments Revenues were understated by \$133,147
- Contractual Services Expenditures were overstated by \$209
- Other Debt Proceeds were understated by \$265,825
- Other Financing Sources were overstated by \$15,926
- Capital Outlay Expenditures were understated by \$246,674
- Principal Retirement Expenditures were understated by \$3,225
- Ending Fund Balance was understated by \$2,359

On-behalf of monies received from the Ohio Public Works Commission and Ohio Water Development Authority during 2011 and 2012 for the Village's sewer project, as noted in the Enterprise Funds above, were not recorded on the accounting system or annual financial report. In accordance with the Auditor of State Bulletin 2002-004, the Village should have recorded a receipt and expenditure in the fund equal to the amount disbursed by the Ohio Public Works Commission.

Additionally, due to the implementation and adoption of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Village's Debt Service Fund was improperly classified and all financial activity in the fund was adjusted to be reported as a Special Revenue Fund in 2011 and 2012.

Adjustments and reclassifications to correct the errors above are reflected in the accompanying financial statements. Additionally, the client has recorded the fund balance adjustments in the UAN accounting system. Additionally, there were insignificant revenue and expenditure reclassifications that were identified that were not adjusted or reflected in the accompanying financial statements.

The Village should develop and implement procedures to verify accurate recordkeeping of all its activities and to improve the accuracy and completeness of the Village's financial statements and provide comparative financial statements from year to year. The posting of receipts should be performed consistently with the instructions contained in the Ohio Village Officers Handbook and the Uniform Accounting Network (UAN) Chart of Accounts. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost, or stolen. Additionally, independent detailed reviews should be performed over the Village's accounting records as a means of providing for their accuracy.

Official's Response: Village Officials did not respond to the Finding.

NONCOMPLIANCE

FINDING 2012-003

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated. Contrary to this requirement, the Village's Sewer Fund at December 31, 2011 had expenditures of \$439,362 in excess of the amounts appropriated of \$205,426, resulting in \$233,936 not being appropriated.

The Village should develop and implement procedures to properly develop and monitor its budgetary expectations relating to appropriations and actual expenditures. Doing so would enable the Village to comply with budgetary requirements while limiting the risk of spending more than is appropriated.

Official's Response: Village Officials did not respond to the Finding.

**VILLAGE OF PITSBURG
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code Section 5705.41(D) – Prior Certification	No	Repeated as Finding 2012-001
2010-02	Ohio Rev. Code Section 5705.36 – Failure to File Amended Certificates with County Auditor	Yes	
2010-03	Ohio Rev. Code Section 5705.39 – Appropriations Exceeded Estimated Resources	Yes	
2010-04	Ohio Rev. Code Section 5705.41(B) – Expenditures Exceeded Appropriations	No	Repeated as Finding 2012-003
2010-05	Material Weakness - Recording Receipts and Pass-Through Monies	No	Repeated as Finding 2012-002

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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
DECEMBER 5, 2013**