



**Auditor of State
Betty Montgomery**

VILLAGE OF ENON
CLARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

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**Auditor of State
Betty Montgomery**

Village of Enon
Clark County
363 East Main Street
P.O. Box 232
Enon, Ohio 45323

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 20, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Enon
Clark County
363 East Main Street
P.O. Box 232
Enon, Ohio 45323

To the Village Council:

We have audited the accompanying financial statements of the Village of Enon, Clark County, (the Village) as of and for the years ended December 31, 2004 and 2003. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year 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 of Enon, Clark County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 October 20, 2005, 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.



Betty Montgomery
Auditor of State

October 20, 2005

**VILLAGE OF ENON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$113,365	\$119,630	\$232,995
State Shared Taxes and Permits	52,033	155,260	207,293
Special Assessments	17,957		17,957
Intergovernmental Receipts	30,000		30,000
Fines, Licenses, and Permits	31,892		31,892
Earnings on Investments	1,529	772	2,301
Fines and Forfeitures	32,654	2,790	35,444
Miscellaneous	18,138		18,138
	<u>297,568</u>	<u>278,452</u>	<u>576,020</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	100,990	7,477	108,467
Public Health Services		41,095	41,095
Leisure Time Activities	1,995		1,995
Transportation		54,779	54,779
General Government	7,621		7,621
Personal Services	33,423	61,720	95,143
Fringe Benefits	44,997	48,380	93,377
Material and Supplies	25,490	9,797	35,287
Contractual Services	43,005	15,768	58,773
Capital Outlay	139,300	28,308	167,608
Total Cash Disbursements	<u>396,821</u>	<u>267,324</u>	<u>664,145</u>
Total Receipts Over/(Under) Disbursements	<u>(99,253)</u>	<u>11,128</u>	<u>(88,125)</u>
Fund Cash Balances, January 1	<u>191,547</u>	<u>52,988</u>	<u>244,535</u>
Fund Cash Balances, December 31	<u>\$92,294</u>	<u>\$64,116</u>	<u>\$156,410</u>
Reserves for Encumbrances, December 31	<u>\$2,592</u>	<u>\$0</u>	<u>\$2,592</u>

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

**VILLAGE OF ENON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$398,615		\$398,615
Fines And Forfeitures		\$45,577	45,577
Miscellaneous	6,202		6,202
	<u>404,817</u>	<u>45,577</u>	<u>450,394</u>
Operating Cash Disbursements:			
Personal Services	141,257		141,257
Fringe Benefits	75,678		75,678
Contractual Services	106,235	44,060	150,295
Supplies and Materials	37,573		37,573
Utilities	795		795
Debt Service:			
Principal Payments	23,714		23,714
Interest Payments	11,424		11,424
Capital Outlay	573,570		573,570
	<u>970,246</u>	<u>44,060</u>	<u>1,014,306</u>
Operating Income/(Loss)	<u>(565,429)</u>	<u>1,517</u>	<u>(563,912)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	525,597		525,597
Net Receipts Over/(Under) Disbursements	(39,832)	1,517	(38,315)
Fund Cash Balances, January 1	<u>47,723</u>	<u>705</u>	<u>48,428</u>
Fund Cash Balances, December 31	<u>\$7,891</u>	<u>\$2,222</u>	<u>\$10,113</u>
Reserve for Encumbrances, December 31	<u>\$169,920</u>	<u>\$0</u>	<u>\$169,920</u>

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

**VILLAGE OF ENON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$110,530	\$116,174	\$226,704
State Shared Taxes and Permits	52,533	139,035	191,568
Special Assessments	15,926		15,926
Intergovernmental Receipts	171,633		171,633
Fines, Licenses, and Permits	28,103		28,103
Earnings on Investments	1,707	462	2,169
Fines and Forfeitures	19,433	955	20,388
Contributions	190	276	466
Miscellaneous	17,877	3,566	21,443
	<u>417,932</u>	<u>260,468</u>	<u>678,400</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	83,045	5,589	88,634
Public Health Services		40,037	40,037
Leisure Time Activities	3,788		3,788
Transportation		52,840	52,840
General Government	44,223		44,223
Personal Services	34,377	66,759	101,136
Fringe Benefits	40,356	47,298	87,654
Materials and Supplies	28,950	10,007	38,957
Contractual Services	63,562	20,150	83,712
Capital Outlay	54,946	30,306	85,252
	<u>353,247</u>	<u>272,986</u>	<u>626,233</u>
Total Receipts Over/(Under) Disbursements	<u>64,685</u>	<u>(12,518)</u>	<u>52,167</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		4,900	4,900
Transfers-Out	(4,900)		(4,900)
	<u>(4,900)</u>	<u>4,900</u>	
Total Other Financing Receipts/(Disbursements)	<u>(4,900)</u>	<u>4,900</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	59,785	(7,618)	52,167
Fund Cash Balances, January 1 (see Note 8)	<u>131,762</u>	<u>60,606</u>	<u>192,368</u>
Fund Cash Balances, December 31	<u>\$191,547</u>	<u>\$52,988</u>	<u>\$244,535</u>
Reserves for Encumbrances, December 31	<u>\$131,024</u>	<u>\$0</u>	<u>\$131,024</u>

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

**VILLAGE OF ENON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$395,957		\$395,957
Fines and Forfeitures		\$27,758	27,758
Miscellaneous	4,807		4,807
	<u>400,764</u>	<u>27,758</u>	<u>428,522</u>
Operating Cash Disbursements:			
Personal Services	129,171		129,171
Fringe Benefits	58,278		58,278
Contractual Services	124,890	27,946	152,836
Supplies and Materials	31,529		31,529
Utilities	370		370
Debt Service:			
Principal Payments	16,726		16,726
Capital Outlay	124,791		124,791
	<u>485,755</u>	<u>27,946</u>	<u>513,701</u>
Operating Income/(Loss)	<u>(84,991)</u>	<u>(188)</u>	<u>(85,179)</u>
Non-Operating Cash Receipts:			
Interest Earnings	21		21
Other Non-Operating Receipts	35,345		35,345
	<u>35,366</u>		<u>35,366</u>
Net Receipts Over/(Under) Disbursements	(49,625)	(188)	(49,813)
Fund Cash Balances, January 1 (See Note 8)	97,348	893	98,241
Fund Cash Balances, December 31	<u>\$47,723</u>	<u>\$705</u>	<u>\$48,428</u>
Reserve for Encumbrances, December 31	<u>\$24,987</u>	<u>\$0</u>	<u>\$24,987</u>

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

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Enon, Clark County, as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including water sanitation and police services.

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

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

Police Levy Fund – This fund receives tax money for providing police protection.

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

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

4. Fiduciary Funds (Agency Fund)

The fund for which the Village is acting in an agency capacity is classified as an agency fund. The Village had the following significant fiduciary fund:

Mayor's Court Fund – This fund received monies for court fees, fines and forfeitures. These collections are remitted to the Village and the State of Ohio on a monthly basis.

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 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 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.

G. Accumulated Leave

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

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool 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:

	2004	2003
Demand deposits	\$59,682	\$187,471
Investments:		
STAR Ohio	106,841	105,492
Total deposits and investments	\$166,523	\$292,963

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$219,509	\$297,568	\$78,059
Special Revenue	254,254	278,452	24,198
Enterprise	425,600	930,414	504,814
Total	\$899,363	\$1,506,434	\$607,071

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$461,716	\$399,413	\$62,303
Special Revenue	213,276	267,324	(54,048)
Enterprise	1,175,737	1,140,166	35,571
Total	\$1,850,729	\$1,806,903	\$43,826

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$276,718	\$417,932	\$141,214
Special Revenue	251,951	265,368	13,417
Enterprise	410,400	436,130	25,730
Total	\$939,069	\$1,119,430	\$180,361

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$525,592	\$489,171	\$36,421
Special Revenue	233,464	272,986	(39,522)
Enterprise	525,080	510,742	14,338
Total	\$1,284,136	\$1,272,899	\$11,237

The Village was in violation of Ohio Rev. Code Section 5705.39 as appropriations exceeded estimated resources in the General Fund and Waterworks Enterprise Fund during 2004 by \$47,875 and \$683,693 and in 2003 by \$114,751 and \$104,441, respectively. The Village was also in violation of Ohio Rev. Code Section 5705.41(B) in that expenditures and encumbrances exceeded appropriations; 2004- Street Construction Maintenance and Repair Fund and Health Fund by \$13,031 and \$41,905, respectively; 2003- Health Fund by \$40,037.

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 February 14. The second half payment is due the following July 14.

Public utilities are also taxed on personal and real property located within the Village.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$688,289	3.26%
Ohio Public Works Commission Loan (A)	\$84,903	0.00%
Ohio Public Works Commission Loan (B)	30,030	0.00%
Total	\$803,222	

The Ohio Water Development Authority Loan relates to a new well field development. The loan will be repaid in semi-annual installments of \$23,987 over 20 years with final maturity on 7/1/2024.

(A) Ohio Public Works Commission Loan Houck Meadows Water Main Extension will be repaid in semi-annual installments of \$3,266 over 20 years with final maturity on 1/1/2018.

(B) Ohio Public Works Commission Loan Fairfield Pike Booster Station Upgrade will be repaid in semi-annual installments of \$2,310 over 15 years with final maturity on 7/1/2011.

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>OPWC loan</u>
2005	\$47,974	\$11,151
2006	47,974	11,151
2007	47,974	11,151
2008	47,974	11,151
2009	47,974	11,151
2010-2014	239,870	39,585
2015-2019	239,870	19,593
2020-2024	215,883	
Total	<u>\$935,493</u>	<u>\$114,933</u>

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village had outstanding contributions of \$14,044.36 for the last quarter of 2004.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

8. PRIOR PERIOD ADJUSTMENT

A transfer was posted to the Village's records that was not approved by Council as required.

	General Fund	Agency Fund
Fund Balances (previously reported)	\$ 130,662	\$ 1,993
Reverse transfer not approved by Council	1,100	(1,100)
Fund Balances (restated January 1, 2003)	<u>\$ 131,762</u>	<u>\$ 893</u>

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**Auditor of State
Betty Montgomery**

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

Village of Enon
Clark County
363 East Main Street
P.O. Box 232
Enon, Ohio 45323

To the Village Council:

We have audited the financial statements of the Village of Enon, Clark County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 20, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated October 20, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are included in the Schedule of Findings as items 2204-001 through 2004-003. In a separate letter to the Village's management dated October 20, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 20, 2005

VILLAGE OF ENON
CLARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that 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 the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a 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.

2. **Blanket certificate** – Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated September 26, 2003) or running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super blanket certificate** – In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

Seven of the twenty-one expenditures tested were not properly certified, and there was no evidence the Village followed the exceptions noted above. Failure to properly certify the availability of funds can result in overspending fund and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**FINDING NUMBER 2004-001
(Continued)**

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village Clerk should certify that the funds are or will be available prior to the obligation by the Village, as available. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. When prior certification is not possible, "then and now" certification may be used.

FINDING NUMBER 2004-002

Ohio Rev. Code Section 5705.39 states that total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources. The Village appropriated more than the estimated resources in 2003 and 2004 for the General Fund and the Waterworks Enterprise Fund. The General Fund variances were \$47,875 and \$114,751 for 2004 and 2003, respectively, while the Waterworks Fund variances were \$683,693 and \$104,441 respectively. **Ohio Revised Code Section 5705.36** allows the Village to request an amendment to the Certificate of Estimated Resources from the County Budget Commission upon determination that revenue to be collected will be greater than the previous Certificate of Estimated Resources. Procedures should be implemented to include monitoring of this budgetary activity and regular detailed comparisons to the Village's actual financial activity to prevent overspending Village resources.

FINDING NUMBER 2004-003

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing authority is to expend money unless it has been appropriated. During 2004, expenditures and encumbrances exceeded appropriations in the Street Construction Maintenance and Repair Fund and the Health Fund by \$13,031 and \$41,095, respectively. Expenditures and encumbrances exceeded appropriations during 2003 in the Health Fund by \$40,037.

Procedures should be implemented to include documented routine monitoring of budgeted versus actual activity and, any necessary changes to those activities via budgetary amendments or reduction in actual disbursements.

FINDING NUMBER 2004-004

Bank Reconciliations

The Village did not accurately and completely reconcile its bank account to the fund ledgers. A check in the amount of \$7,274.40 was written in February, 2004 and cleared the bank in the same month. However, this amount was carried as an outstanding check through July, 2005. In addition, the amount of this check was added back to the cash ledger balance at December 31, 2004 even though the check had cleared the bank thereby further misstating the book balance.

The Village's fund ledgers should be accurately and timely reconciled to the monthly bank statements. Personnel independent of the record keeping process should perform detailed documented reviews of the reconciliations and any discrepancies should be investigated and corrected in a timely manner. The Village Council should also monitor the completion of these monthly bank reconciliations.

VILLAGE OF ENON
CLARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Revised Code § 5705.41(D), failure to certify funds	No	Not corrected, Repeated as finding 2004-001.



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VILLAGE OF ENON

CLARK 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 29, 2005**