

VILLAGE OF ENON

DAYTON REGION, CLARK COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

Members of Council
Village of Enon
PO Box 232
Enon, Ohio 45323

We have reviewed the *Independent Auditors' Report* of the Village of Enon, Clark County, prepared by Manning & Associates CPAs, LLC, 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 Auditors' 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 Auditors' 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 Enon is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 28, 2011

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**VILLAGE OF ENON
CLARK COUNTY**

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Manning & Associates

Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

INDEPENDENT AUDITORS' REPORT

Mayor and Members of Council
Village of Enon
363 East Main Street
PO Box 232
Enon, Ohio 45323

We have audited the accompanying financial statements of the Village of Enon, Clark County, Ohio, (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 that our audit provides a reasonable basis for our opinion.

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

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 for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and encumbrances of the Village of Enon, Clark County, Ohio, 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 a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

July 19, 2011

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**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, 2010

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 238,774	\$ 196,049	\$ 434,823
Intergovernmental Revenues	61,534	163,739	225,273
Charges for Services	17,493	4,166	21,659
Fines, Licenses and Permits	66,457	0	66,457
Earnings on Investments	1,172	394	1,566
Miscellaneous	28,974	1,400	30,374
Total Cash Receipts	<u>414,404</u>	<u>365,748</u>	<u>780,152</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	41,771	205,011	246,782
Leisure Time Activities	3,905	0	3,905
Transportation	0	84,030	84,030
General Government	173,419	0	173,419
Capital Outlay	9,037	96,905	105,942
Total Cash Disbursements	<u>228,132</u>	<u>385,946</u>	<u>614,078</u>
Total Receipts Over/(Under) Disbursements	<u>186,272</u>	<u>(20,198)</u>	<u>166,074</u>
Fund Cash Balances, January 1	<u>389,196</u>	<u>184,695</u>	<u>573,891</u>
Fund Cash Balances, December 31	<u>\$ 575,468</u>	<u>\$ 164,497</u>	<u>\$ 739,965</u>
Reserve for Encumbrances	<u>\$ 34,392</u>	<u>\$ 12,736</u>	<u>\$ 47,128</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, 2010

	<u>Proprietary Funds Types</u>	<u>Fiduciary Funds Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 834,821	\$ 0	\$ 834,821
Fines, Licenses and Permits	4,447	89,271	93,718
Miscellaneous	500	0	500
Total Operating Cash Receipts	<u>839,768</u>	<u>89,271</u>	<u>929,039</u>
Operating Cash Disbursements:			
Personal Service	165,833	0	165,833
Employee Fringe Benefits	108,970	0	108,970
Supplies and Materials	66,715	0	66,715
Contractual Services	136,438	91,449	227,887
Total Operating Cash Disbursements	<u>477,956</u>	<u>91,449</u>	<u>569,405</u>
Operating Income/ (Loss)	<u>361,812</u>	<u>(2,178)</u>	<u>359,634</u>
Non-Operating Cash Receipts/(Disbursements):			
Debt Proceeds	99,269	0	99,269
Earnings on Investment	227	0	227
Capital Outlay	(213,977)	0	(213,977)
Debt Service			
Redemption of Principal	(43,376)	0	(43,376)
Interest Expense	(16,677)	0	(16,677)
Total Non-Operating Cash Receipts/(Expenses)	<u>(174,534)</u>	<u>0</u>	<u>(174,534)</u>
Net Revenues Over/(Under) Expenses	187,278	(2,178)	185,100
Fund Cash Balances, January 1	<u>339,334</u>	<u>7,508</u>	<u>346,842</u>
Fund Cash Balances, December 31	<u>\$ 526,612</u>	<u>\$ 5,330</u>	<u>\$ 531,942</u>
Reserve for Encumbrances	<u>\$ 30,133</u>	<u>\$ 0</u>	<u>\$ 30,133</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, 2009

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 279,488	\$ 199,495	\$ 478,983
Intergovernmental Revenues	15,749	186,641	202,390
Charges for Services	15,149	6,806	21,955
Fines, Licenses and Permits	78,130	0	78,130
Earnings on Investments	988	333	1,321
Miscellaneous	46,617	4,134	50,751
Total Cash Receipts	<u>436,121</u>	<u>397,409</u>	<u>833,530</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	66,732	227,569	294,301
Leisure Time Activities	6,672	0	6,672
Transportation	0	91,423	91,423
General Government	194,463	5,307	199,770
Capital Outlay	15,024	53,263	68,287
Total Cash Disbursements	<u>282,891</u>	<u>377,562</u>	<u>660,453</u>
Total Receipts Over/(Under) Disbursements	<u>153,230</u>	<u>19,847</u>	<u>173,077</u>
Fund Cash Balances, January 1	<u>235,966</u>	<u>164,848</u>	<u>400,814</u>
Fund Cash Balances, December 31	<u>\$ 389,196</u>	<u>\$ 184,695</u>	<u>\$ 573,891</u>
Reserve for Encumbrances	<u>\$ 34,391</u>	<u>\$ 6,634</u>	<u>\$ 41,025</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, 2009

	<u>Proprietary Funds Types</u>	<u>Fiduciary Funds Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 624,691	\$ 0	\$ 624,691
Fines, Licenses and Permits	8,737	104,936	113,673
Miscellaneous	919	0	919
Total Operating Cash Receipts	<u>634,347</u>	<u>104,936</u>	<u>739,283</u>
Operating Cash Disbursements:			
Personal Service	135,069	0	135,069
Employee Fringe Benefits	74,582	0	74,582
Supplies and Materials	46,195	0	46,195
Utilities	282	0	282
Contractual Services	134,130	102,589	236,719
Transportation	1,560	0	1,560
Total Operating Cash Disbursements	<u>391,818</u>	<u>102,589</u>	<u>494,407</u>
Operating Income/ (Loss)	<u>242,529</u>	<u>2,347</u>	<u>244,876</u>
Non-Operating Cash Receipts/(Disbursements):			
Earnings on Investment	604	0	604
Capital Outlay	(45,425)	0	(45,425)
Debt Proceeds	386	0	386
Debt Service			
Redemption of Principal	(39,984)	0	(39,984)
Interest Expense	(17,494)	0	(17,494)
Total Non-Operating Cash Receipts/(Expenses)	<u>(101,913)</u>	<u>0</u>	<u>(101,913)</u>
Net Revenues Over/(Under) Expenses	140,616	2,347	142,963
Fund Cash Balances, January 1	<u>198,718</u>	<u>5,161</u>	<u>203,879</u>
Fund Cash Balances, December 31	<u>\$ 339,334</u>	<u>\$ 7,508</u>	<u>\$ 346,842</u>
Reserve for Encumbrances	<u>\$ 32,284</u>	<u>\$ 0</u>	<u>\$ 32,284</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ENON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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 Enon, Clark County, (the Village) 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 report gains and 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:

General Fund:

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

**VILLAGE OF ENON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Special Revenue Funds:

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.

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 Funds:

Water Operating Fund – This fund receives cash receipts from water sales to Village residents to cover water service costs.

Fiduciary Funds (Agency Fund)

The fund in 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 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.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The 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.

**VILLAGE OF ENON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

Estimated Resources

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

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.

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 reflect 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.

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:

	<u>2010</u>	<u>2009</u>
Demand Deposits	\$1,044,418	\$ 693,490
STAR Ohio	<u>227,489</u>	<u>227,243</u>
Total deposits and Investments	<u>\$1,271,907</u>	<u>\$ 920,733</u>

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.

**VILLAGE OF ENON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2010 was as follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 382,838	\$ 414,404	\$ 31,566
Special Revenue	398,821	365,748	(33,073)
Enterprise	686,000	939,264	253,264
Total	<u>\$ 1,467,659</u>	<u>\$ 1,719,416</u>	<u>\$ 251,757</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 381,247	\$ 262,524	\$ 118,723
Special Revenue	427,273	398,682	28,591
Enterprise	825,000	782,119	42,881
Total	<u>\$ 1,633,520</u>	<u>\$ 1,443,325</u>	<u>\$ 190,195</u>

Budgetary activity for the year ending December 31, 2009 was as follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 376,286	\$ 436,121	\$ 59,835
Special Revenue	400,360	397,409	(2,951)
Enterprise	723,122	635,337	(87,785)
Total	<u>\$ 1,499,768</u>	<u>\$ 1,468,867</u>	<u>\$ (30,901)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 323,861	\$ 317,282	\$ 6,579
Special Revenue	419,457	384,196	35,261
Enterprise	613,018	527,005	86,013
Total	<u>\$ 1,356,336</u>	<u>\$ 1,228,483</u>	<u>\$ 127,853</u>

**VILLAGE OF ENON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

3. BUDGETARY (Continued)

Ohio Rev. Code Section 5705.41(B), states no subdivision can expend money unless appropriated. Contrary to Ohio Law, the Village expenditures exceeded appropriations in 2010 in the Street Maintenance and Repair, Mayor's Court Computer, Special Revenue Police, and Waterworks funds by \$1,477, \$3,000, and \$1,528, respectively. In 2009, the Village had expenditures exceeding appropriations in the Mayor's Court Computer, Special Revenue Police, FEMA and Guarantee Water Deposit funds by \$1,500, \$1,566, \$3,672 and \$282, respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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 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. Property owners assess tangible personal property tax. They must file a list of tangible property to the County 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:

	<u>Principal</u>	<u>Interest</u>
OWDA Loan - #4000	\$487,649	3.26%
OWDA Loan - #5356	97,164	0.00%
OPWC (A) CK023	45,718	0.00%
OPWC (B) CK933	2,310	0.00%
OPWC 06 CK16J	24,938	0.00%
Total	<u>\$657,779</u>	

OWDA Loan #4000

This loan was obtained through the Ohio Water Development Authority (OWDA) and relates to new well field development. The loan will be repaid in semi-annual installments of \$22,471, over 20 years with final maturity on 07/1/2024. This loan is secured by water and sewer rates.

**VILLAGE OF ENON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

5. DEBT, (Continued)

OWDA Loan #5356

This loan was obtained through the Ohio Water Development Authority (OWDA) and relates to water treatment plant upgrades. The loan will be repaid in semi-annual installments of \$2,491 over 20 years with final maturity on 07/1/2030.

OPWC (A) CK023 Loan

This loan was obtained through the Ohio Public Works Commission (OPWC) for the Houck Meadows Water Main Extension and is secured by water and sewer rates. The loan will be repaid in semi-annual installments of \$3,266 over 20 years with final maturity on 1/1/2018.

OPWC (B) CK933

This loan was obtained through the Ohio Public Works Commission (OPWC) for the Fairfield Pike Booster Station Upgrade and is secured by water and sewer rates. The loan is being repaid in semi-annual installments of \$2,310 over 15 years with final maturity on 7/1/2011.

OPWC 06 CK16J

This loan was obtained through the Ohio Public Works Commission (OPWC) for improvements to Stine Road and is secured by water and sewer rates. The loan is being repaid in semi-annual installments of \$693 over 20 years with final maturity on 1/1/29.

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

Year	OWDA		OWDA	OPWC
	Principal	Interest	Principal	Principal
2011	\$ 14,521	\$ 7,948	\$ 2,492	\$ 6,269
2012	29,757	15,183	4,983	7,917
2013	30,736	14,205	4,983	7,917
2014	31,746	13,195	4,983	7,917
2015	32,789	12,152	4,983	7,917
2016 - 2020	180,837	43,859	24,913	23,258
2021 - 2025	167,263	12,500	24,913	6,930
2026 - 2030	0	0	24,914	4,841
Totals	<u>\$487,649</u>	<u>\$119,042</u>	<u>\$97,164</u>	<u>\$72,966</u>

**VILLAGE OF ENON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

6. LEASES

The Village leases a pickup truck through Ford Credit and an international dump truck through Fifth Third mater lease program.

Future lease payments for the above lease are as follows:

Year Ending December 31:	Amount
2011	\$ 21,384
2012	15,429
2013	15,429
2014	15,429
Total minimum lease payment	\$67,671
Less amount representing interest	5,975
Present value of minimum lease payments	<u>\$61,696</u>

7. 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 this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (the "Plan" or "OPRM"). The Plan or OPRM was formed on January 1, 2009 through an internal reorganization. Prior to 2009, the OPRM's financial information which related to the property and casualty line of business was included in a separate entity, the Ohio Government Risk Management Plan ("OGRMP"). Also included in the OGRMP was an additional line of business for a health product. The Plan was formed to separately manage the property and casualty product from the employee benefits products.

The Plan, as the former Ohio Government Risk Management Plan (the "OGRMP"), was organized in June, 1988, as authorized by Section 2744.081 of the Ohio Revised Code. The OGRMP was an unincorporated non-profit association of its members. Effective January 1, 2009, the OPRM incorporated to act as an instrumentality for each member for the sole purpose of enabling members of the Plan to provide for formalized, jointly administered self-insurance programs to maintain adequate self-insurance protection, risk management programs and other administrative services.

**VILLAGE OF ENON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

8. RISK MANAGEMENT, (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity for the public purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the Plan are political subdivisions such as townships, villages, cities and others in the State of Ohio which are eligible to participate under applicable statute, ruling or law subject to certain underwriting standards as deemed appropriate by the Plan and its administrator. The Plan is governed by a Board of Directors comprised of appointed and elected representatives of public entities that participate in the program.

Pursuant to Ohio Revised Code Sec. 2744.081, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. The OPRM has agreed to pay judgments, settlements, and other expenses resulting from claims arising related to the property and casualty coverages provided, in excess of the member's deductible. Individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008, the latest information available:

	<u>2009</u>	<u>2008</u>
Assets	\$ 11,176,186	\$ 9,709,114
Liabilities	(4,852,485)	(4,611,812)
Accumulated Surplus	<u>\$ 6,323,701</u>	<u>\$ 5,097,302</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org. Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

9. CONTINGENCIES

As of December 31, 2010, the Village is a defendant in various cases. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not have a material adverse affect on the Village's financial condition.

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Manning & Associates

Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

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

Mayor and Members of Council
Village of Enon
363 East Main Street
PO Box 232
Enon, Ohio 45323

We have audited the financial statements of the Village of Enon, Clark County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 19, 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 we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect, and timely correct misstatements. A *material weakness* is a deficiency or combination of internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected, and timely corrected. We consider findings 2010-001 described in the accompanying schedule of findings to be a material weakness.

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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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-003 .

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 19, 2011.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. 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 and Village Council. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

July 19, 2011

**VILLAGE OF ENON
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED 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 2010-001

Material Weakness

Village Books and Records

Ohio Admin Code Section 117-2 provides that the Fiscal Officer shall keep the books of the Village; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived. In addition, Ohio Admin Code Section 117-2-02(A) states that all public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code. The following was items were noted:

- Receipts were not being timely recorded to the financial system. In some cases receipts were noted not being recorded to the financial system until a month or more after the amount was deposited. This affected the bank reconciliation timeliness and adjusting factors.
- Village observed being assessed a \$84.70 late fee on their OWDA Loan
- Differences were noted between W-3s and 941 totals in 2010. No 1099s were observed being issued for either year of the audit period.
- The Village's estimated receipts and appropriations reported on the annual report did not match the amounts filed with the County Auditor in 2010 and 2009.
- Reclassification of receipts and disbursements were required, namely debt transactions.
- Mayors court fund balance required adjustment and posting of November and December transactions for 2010.

It was also noted, the Fiscal Officer retained certain Village documents at her residence, although not uncommon, the Village has a facility in which items can be stored. It appeared there was no adequate organization of the accounting records as to what was stored where and why. We recommend all Village records be stored on location after the transactions have been processed.

We recommend the Village implemented an effective monitoring control system to assist management in detecting material misstatements in financial or other information. The failure of the Village's governing body to monitor the financial activity of the Village could result in financial objectives not being achieved; the violation of Ohio Rev. Code laws, Village Ordinances, grant requirements, or debt covenants; or errors and/or irregularities occurring and not being detected in a timely manner.

**VILLAGE OF ENON
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001, (Continued)

Proper monitoring and oversight are the responsibility of management. Numerous material misstatements were noted during the audit period which could have been prevented or detected if an effective monitoring system were in place. The Village should develop and implement a monitoring control system to ensure proper oversight and determine that material misstatements or misappropriation of assets do not occur.

Response: The Village will take corrective action to ensure that all the following items are addressed.

FINDING NUMBER 2010-002

Noncompliance

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall expend money unless it has been appropriated. During 2010 and 2009, the Village had instances where budgetary expenditures exceeded the amounts appropriated at the legal level of control:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2010			
Street Maintenance & Repair	\$ 176,458	\$ 177,935	\$ (1,477)
Mayor's Court Computer	0	3,000	(3,000)
Special Revenue Police	0	1,528	(1,528)
2009			
Mayor's Court Computer	\$ 0	\$ 1,635	\$ (1,635)
Special Revenue Police	0	1,566	(1,566)
FEMA	0	3,672	(3,672)
Guarantee Water Deposits	0	282	(282)

The Village should monitor appropriations and expenditures throughout the year, making amendments to appropriations as needed to comply with the requirement that expenditures cannot exceed the amounts appropriated at the legal level of control. Implementing these procedures will also reduce the risk that the Village expends or certifies as available more resources than were legally appropriated by Village Council.

Response: Fiscal Officer will monitor budgetary compliance for closely in the future and ensure that all necessary amendments are being made.

**VILLAGE OF ENON
CLARK COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2010-003

Noncompliance

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the receipt. If the amount of the daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, if properly secured, but the deposit must be made no later than 3 business days after receiving it.

To reduce the risk of misappropriation of village assets and to comply with the abovementioned section of code, procedures should be implemented to provide that the Fiscal Officer deposit all receipts to the bank in a timely and complete manner.

During the audit period it was determined that of the ten receipts in 2010 and three receipts in 2009 that included both a issue date and deposit date, seven in 2010 and one in 2009 were deposited at least seven days after the issue date.

Response: Council will review their current deposit policy and make the necessary corrections.

**VILLAGE OF ENON
CLARK COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2008-001	ORC Sec. 5705.41 (D) - Failure to certify the availability of funds prior to incurring an expense	Partially	Included as Management Letter Comment
2008-002	ORC Sec. 733.28 - Misposting of both receipt and disbursement transactions noted in 2008 and 2007	No	Included with Finding Number 2010-001
2008-003	Village failed to obtain a SAS-70 audit report for a service entity used to process significant transactions	Yes	



Dave Yost • Auditor of State

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
DECEMBER 8, 2011