



Dave Yost • Auditor of State



VILLAGE OF CECIL  
PAULDING COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Cecil  
Paulding County  
301 West Third Street  
P.O. Box 164  
Cecil, Ohio 45821-0164

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Cecil, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 opinions.

### ***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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2015 and 2014, 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 the Village of Cecil, Paulding County, Ohio as of December 31, 2015 and 2014, 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(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, 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

March 20, 2017

**VILLAGE OF CECIL  
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$4,951			\$4,951
Municipal Income Tax	16,476			16,476
Intergovernmental	18,169	\$7,323	\$110,053	135,545
Charges for Services	75			75
Fines, Licenses and Permits	605			605
Earnings on Investments	12	3		15
Miscellaneous	38			38
<i>Total Cash Receipts</i>	<u>40,326</u>	<u>7,326</u>	<u>110,053</u>	<u>157,705</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	2,485			2,485
Leisure Time Activities	334			334
Community Environment	1,202			1,202
Basic Utility Services	721			721
Transportation		5,168		5,168
General Government	26,028	297		26,325
Capital Outlay			110,053	110,053
Debt Service:				
Principal Retirement	10,239			10,239
<i>Total Cash Disbursements</i>	<u>41,009</u>	<u>5,465</u>	<u>110,053</u>	<u>156,527</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(683)	1,861		1,178
<i>Fund Cash Balances, January 1</i>	<u>57,363</u>	<u>26,591</u>	<u>3,292</u>	<u>87,246</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		28,452		28,452
Assigned	24,222		3,292	27,514
Unassigned	32,458			32,458
<i>Fund Cash Balances, December 31</i>	<u>\$56,680</u>	<u>\$28,452</u>	<u>\$3,292</u>	<u>\$88,424</u>

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

**VILLAGE OF CECIL  
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$37,501
Fines, Licenses and Permits	506
	38,007
<i>Total Operating Cash Receipts</i>	<i>38,007</i>
<b>Operating Cash Disbursements</b>	
Personal Services	3,720
Employee Fringe Benefits	504
Contractual Services	23,081
Supplies and Materials	1,032
	28,337
<i>Total Operating Cash Disbursements</i>	<i>28,337</i>
<i>Operating Income</i>	<i>9,670</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	18,408
Capital Outlay	(1,028)
Principal Retirement	(17,000)
Interest and Other Fiscal Charges	(4,813)
	(4,433)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(4,433)</i>
<i>Net Change in Fund Cash Balance</i>	<i>5,237</i>
<i>Fund Cash Balance, January 1</i>	<i>29,781</i>
<i>Fund Cash Balance, December 31</i>	<i>\$35,018</i>

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



**VILLAGE OF CECIL  
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$3,641			\$3,641
Municipal Income Tax	17,204			17,204
Intergovernmental	15,056	\$7,287	\$431,615	453,958
Charges for Services	450			450
Fines, Licenses and Permits	607			607
Earnings on Investments	13	3		16
Miscellaneous	91			91
<i>Total Cash Receipts</i>	<u>37,062</u>	<u>7,290</u>	<u>431,615</u>	<u>475,967</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	2,419			2,419
Leisure Time Activities	231			231
Community Environment	795			795
Transportation		4,176		4,176
General Government	20,957	686		21,643
Capital Outlay	9,879		431,615	441,494
<i>Total Cash Disbursements</i>	<u>34,281</u>	<u>4,862</u>	<u>431,615</u>	<u>470,758</u>
<i>Excess of Receipts Over Disbursements</i>	2,781	2,428		5,209
<i>Fund Cash Balances, January 1</i>	<u>54,582</u>	<u>24,163</u>	<u>3,292</u>	<u>82,037</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		26,591		26,591
Assigned	18,497		3,292	21,789
Unassigned	38,866			38,866
<i>Fund Cash Balances, December 31</i>	<u>\$57,363</u>	<u>\$26,591</u>	<u>\$3,292</u>	<u>\$87,246</u>

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

**VILLAGE OF CECIL  
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$26,981
Fines, Licenses and Permits	283
<i>Total Operating Cash Receipts</i>	<i>27,264</i>
<b>Operating Cash Disbursements</b>	
Personal Services	3,930
Employee Fringe Benefits	504
Contractual Services	29,131
Supplies and Materials	673
<i>Total Operating Cash Disbursements</i>	<i>34,238</i>
<i>Operating Loss</i>	<i>(6,974)</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	13,568
Other Debt Proceeds	167,554
Capital Outlay	(1,620)
Principal Retirement	(181,724)
Interest and Other Fiscal Charges	(7,689)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(9,911)</i>
<i>Net Change in Fund Cash Balance</i>	<i>(16,885)</i>
<i>Fund Cash Balance, January 1</i>	<i>46,666</i>
<i>Fund Cash Balance, December 31</i>	<i>\$29,781</i>

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

**VILLAGE OF CECIL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 Cecil, Paulding County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. In the November 2015 general election, the residents of the Village approved a reduction from a six-member to five-member Council. The Village provides sewer utilities and park operations. The Village contracts with Crane Township to receive fire protection services. The Village contracts with the Village of Paulding to receive emergency medical services.

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. 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 Fund:

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

**VILLAGE OF CECIL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. Capital Project Funds**

These funds accounts 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:

OPWC/LTIP/CDBG Fund – This fund received the benefit of on-behalf Ohio Public Works Commission (OPWC) grant monies from the State of Ohio and Community Development Block Grant (CDBG) grant monies, through Paulding County, for a wastewater treatment plant replacement 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 Funds:

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

Sewer Debt Service Fund – The sewer project was financed with a loan from the Ohio Water Development Authority. This debt is being retired from special assessments levied against the benefiting property owners.

**D. 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, object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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 carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**VILLAGE OF CECIL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**E. 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:

**1. Nonspendable**

The Village classifies assets as *nonspendable* 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.

**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.

**VILLAGE OF CECIL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**2. Equity in Pooled Deposits**

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

	2015	2014
Demand Deposits	\$123,442	\$117,027

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 as follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,060	\$40,326	\$6,266
Special Revenue	6,803	7,326	523
Capital Projects	130,000	110,053	(19,947)
Enterprise	40,500	56,415	15,915
Total	\$211,363	\$214,120	\$2,757

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,644	\$41,009	\$15,635
Special Revenue	18,750	5,465	13,285
Capital Projects	115,960	110,053	5,907
Enterprise	57,999	51,178	6,821
Total	\$249,353	\$207,705	\$41,648

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,685	\$37,062	(\$7,623)
Special Revenue	6,803	7,290	487
Capital Projects	764,000	431,615	(332,385)
Enterprise	77,900	208,386	130,486
Total	\$893,388	\$684,353	(\$209,035)

**VILLAGE OF CECIL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,672	\$34,884	\$11,788
Special Revenue	16,500	4,862	11,638
Capital Projects	634,000	559,000	75,000
Enterprise	70,772	225,594	(154,822)
Total	\$767,944	\$824,340	(\$56,396)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Village's Enterprise Sewer Debt Service Fund for the year ended December 31, 2014.

Contrary to Ohio law, appropriations were not properly posted as of December 31, 2015 and 2014.

**4. Property Tax**

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

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

**5. Local Income Tax**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #2636	\$172,442	2.00%
Ohio Water Development Authority Loan #6746	56,127	1.50%
Total	\$228,569	

**VILLAGE OF CECIL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

Ohio Water Development Authority (OWDA) Loan #2636 relates to a wastewater plant expansion project. The loan was being repaid in semiannual installments of \$16,385, including interest, over 25 years from the Enterprise Sewer Debt Service and Sewer Operating Funds and/or the General Fund. During 2011, the Village and OWDA restructured the loan to 30 years, retroactively to the original date. The recalculated semiannual installments are \$14,283. Prior excess principal payments, based on the new installment, are being used to offset payments through July 2014. A total amount of \$639,772 was borrowed from OWDA; however, in 2014, the outstanding principal amount was increased \$6 to \$639,772 for finance charges added to the loan balance by OWDA. The loan is collateralized by sewer assessments levied against the benefiting property owners. The Village has agreed to assess property owners' amounts sufficient to cover the debt service requirements.

In 2014, the Village refinanced Ohio Water Development Authority (OWDA) Loan #5975 relating to a new wastewater treatment plant project. It was deemed more cost effective, by the Village, to build a new wastewater treatment plant instead of trying to update the existing plant to correct Ohio Environmental Protection Agency (OEPA) findings. The new wastewater treatment plant project was completed in 2015, with OWDA loan #5975 being used to help fund the Village's planning portion of the project and as interim financing. The total amount of proceeds drawn for this loan by the Village was \$169,364, which includes capitalized interest. In 2014, the Village used \$107,520 in Ohio Public Works Commission (OPWC) grant monies to repay the portion of the OWDA loan used as interim financing while the remaining loan balance was paid off with loan proceeds from OWDA Loan #6746.

Ohio Water Development Authority (OWDA) Loan #6746 was issued to pay the unpaid balance of its planning loan for the new wastewater treatment plant project (from OWDA Loan #5975). The Village financed a total of \$60,034 in loan proceeds, which included \$45 in capitalized interest and \$400 in loan fees. The loan is to be repaid over a period of 20 years in semiannual installments of \$1,741, including 1.5% of interest, starting on January 1, 2015.

Contrary to the Ohio Water Development Agency (OWDA) Loan Agreements the Village did not file the required annual report of operations and income of the system with OWDA for 2014 and did not charge sufficient rates and/or special assessments to generate sufficient revenues to provide for the debt payments and operating expenses of the system in both 2015 and 2014.

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

Year ending December 31:	OWDA Loan #2636	OWDA Loan #6746
2016	\$14,282	\$1,743
2017	28,566	3,486
2018	28,565	3,485
2019	28,566	3,486
2020	28,565	3,486
2021-2025	57,130	17,428
2026-2030		17,427
2031-2034		13,942
Total	\$185,674	\$64,483

**7. Retirement System**

The Village's employee and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code



**VILLAGE OF CECIL  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**8. Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, 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.

OPRM 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. Effective November 1, 2012 (and through October 2014), the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014, respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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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 Cecil  
Paulding County  
301 West Third Street  
P.O. Box 164  
Cecil, Ohio 45821-0164

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 cash balances, receipts, and disbursements by fund type of the Village of Cecil, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated March 20, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***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 opinion 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 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. We consider findings 2015-001 and 2015-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-005 described in the accompanying schedule of findings to be a significant deficiency.

***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 2015-001 through 2015-003.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2017

VILLAGE OF CECIL  
PAULDING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.40** provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriations.

At December 31, 2015 and 2014, the Village's legally adopted appropriations were not properly posted to the accounting system in the following funds, which makes it difficult for the Village's management officials to determine if there are sufficient appropriations to fund anticipated disbursements and for them to accurately assess the financial status of the Village. The Village's legally adopted appropriations varied from the amounts posted to the accounting system in the following funds as of December 31:

Year	Fund	Approved Appropriations	Posted Appropriations	Difference
2015	OPWC/LTIP/CDBG Fund	\$115,960	\$102,053	(\$13,907)
2014	OPWC/LTIP/CDBG Fund	634,000	764,000	130,000
2014	Sewer Operating Fund	47,772	39,716	(8,056)
2014	Sewer Debt Service Fund	23,000	28,187	5,187

These differences occurred in the posting of appropriations since not all approved appropriations were filed with the County Auditor and there was not an adequate review of budgetary reports by the Village Council. The notes to the financial statements have been corrected to reflect amounts approved by Council.

Failure to obtain Council approval for all amendments could result in disbursements being made that are not within the intentions of Council and could result in deficit spending.

The Village should develop policies and implement procedures to assure that all appropriation amendments are properly approved by Council prior to being posted to the accounting system and submitted to the County Budget Commission. We further recommend Council review the posted budgetary amounts periodically to ensure they match the amounts approved by Council.

FINDING NUMBER 2015-002

**Noncompliance Citation**

**Ohio Rev. Code § 5705.41(B)** provides that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

At December 31, 2014, the Village had budgetary expenditures (including outstanding encumbrances) in excess of total approved appropriations in the following fund:

<b>Fund</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Difference</b>
Sewer Debt Service Fund	\$23,000	\$189,913	\$166,916

This error occurred without detection by Village management officials due to an inadequate review of the budgetary reports by Council. Allowing expenditures to exceed appropriations could result in deficit spending.

The Village's management officials should regularly monitor budgets to make sure there are sufficient appropriations to fund anticipated expenditures.

The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

#### **FINDING NUMBER 2015-003**

##### **Noncompliance Citation**

**Ohio Water Development Agency (OWDA) Loan Agreements § 4.3(a)** provides that the Village will prescribe and charge rates for the services of the utilities that shall result in pledged revenues at least adequate to provide for payments required to remit its debt obligation payments to OWDA. In addition, **§ 4.3(b)** of these agreements provides the local government will furnish to the OWDA, annual reports of the operation and income of the system.

The Village did not file the required annual report of operations and income of the system with OWDA for 2014. Also, the Village did not charge sufficient rates and/ or special assessments to generate sufficient revenues to provide for the debt payments and/or operating expenses of the sewer system. Although the Village's Enterprise Sewer Operating Fund had a net income in 2015, it had a net loss of \$8,094 in 2014. The Village's Enterprise Sewer Debt Service Fund had a net loss of \$3,905 and \$8,791 in 2015 and 2014, respectively.

Losses in the Enterprise Sewer Operating Fund and Sewer Debt Service Fund occurred since the Village Council failed to review and revise sewer rates to ensure compliance with the OWDA agreement. The Clerk/Treasurer inadvertently forgot to submit the required annual report for 2014; however, it was submitted for 2015.

This resulted in the Village being in violation in the debt covenants and could result in default of the debt.

We recommend the Village Council review the OWDA agreements and comply with the loan covenants of providing annual statements and charging adequate rates. We further recommend Village Council develop a plan to either lower sewer operating costs or increase sewer rates in order to have adequate funds to pay the amounts per the OWDA agreements.

## FINDING NUMBER 2015-004

### Material Weakness – Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Clerk/Treasurer and Village Council and is essential to ensure the information provided to the readers of the financial statements is fairly stated. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balance be divided into one of five classifications (nonspendable, restricted, committed, assigned, and unassigned) based on the extent to which constraints are imposed upon the resources in the governmental funds.

The Clerk/Treasurer is responsible for the majority of the functions related to the accounting records. Without proper separation of duties, there is a possibility errors or fraud could occur and not be detected in a timely period.

The Village lacked a policy regarding financial review which contributed to material posting discrepancies occurring without detection:

- In 2015 and 2014, monthly sewer billing charges amounting to \$7,987 and \$5,752, respectively, were incorrectly classified as special assessments instead of charges for services in the Enterprise Sewer Operating Fund.
- In 2015, intergovernmental receipts totaling \$2,197, which comprised \$1,973 in local governmental monies along with \$224 in homestead and rollback receipts, were misclassified as property taxes in the General Fund.
- In 2014, \$4,605 in special assessments for sewer construction were misposted as property taxes instead of special assessments in the Enterprise Sewer Debt Service Fund.
- In 2014, the Village received \$107,520 from the Ohio Public Works Commission (OPWC) to be used to pay down the outstanding principal balance of Village OWDA Loan #5975 which was misposted as intergovernmental receipts and capital outlay disbursements in the Capital Projects OPWC/LTIP/CDBG Fund instead of the Enterprise Sewer Debt Service Fund.
- Additionally, in 2014, debt service principal of \$164,739 and interest and other fiscal charges of \$2,815 as well as other debt proceeds totaling \$167,554 related to the payoff of OWDA Loan #5975 (\$107,520) and for the refinanced OWDA Loan #6746 (\$60,034) did not get recorded on the Village's books in the Enterprise Sewer Debt Service Fund.
- As of December 31, 2015 and 2014, the Capital Projects OPWC/LTIP/CDBG Fund balance in the amount of \$3,292 was improperly classified as restricted fund balance instead of assigned fund balance. The remaining capital project fund balance no longer has any external grantor restrictions or internal constraints placed on existing resources in the fund that have been specifically committed to satisfy contractual obligations.
- As of December 31, 2015 and 2014, the General Fund's appropriations exceeded estimated receipts for the subsequent year, and as such, this excess should have been reported as assigned fund balance instead of unassigned fund balance in accordance with GASB Statement No. 54. This overstated the unassigned fund balance and understated the assigned fund balance in the General Fund in 2015 and 2014 by \$24,222 and \$18,497, respectively.

- In 2015, the Village was the beneficiary of \$8,000 of Community Development Block Grant (CDBG) money paid directly to the vendor by the Ohio Development Services Agency (DSA) on behalf of the Village. The Clerk/Treasurer did not record the receipt and disbursement activity for the amount of this CDBG grant activity.

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village. The Village's financial statements and accounting records have been adjusted to reflect these and other discrepancies ranging from \$91 to \$167,554.

We recommend the Clerk/Treasurer post all transactions in accordance with the guidance established by the Uniform Accounting Network (UAN) manual, the Village Officer's Handbook, and GASB Statement No. 54. Furthermore, the Village should adopt policies and procedures, including a fiscal review of the financial statements and notes to the financial statements, by the Clerk/Treasurer and Council to help ensure errors and omissions are detected and corrected. Additionally, we recommend the Village review Auditor of State Bulletin 2011-004 and monitor the financial statements for inclusion of the proper GASB 54 disclosures. In addition, the Clerk/Treasurer should review Auditor of State Bulletin 2000-008 regarding recording of on-behalf grant activity.

#### **FINDING NUMBER 2015-005**

##### **Significant Deficiency – Delinquent Sewer Accounts**

The list of delinquent sewer charges should be certified to the County Auditor annually in order to add the delinquent charges to the real estate tax bills and to have a lien placed on the property of the delinquent customer. The Village Officials did not certify the delinquent accounts to the County Auditor for 2015.

As of December 31, 2015, there was \$62,233 in delinquent sewer utility accounts that had not been collected or written off in a timely manner. Since the Village Council did not certify the delinquent sewer charges to the County Auditor in 2015, the delinquent amounts were not added to the real estate tax bills and liens were not put on the property to hold sewer system customers responsible for unpaid utility bills in 2015, thereby causing the Village to suffer a loss of revenue. These delinquent accounts included sewer accounts of two of the Village officials in the amounts of \$1,449 and \$950, as of December 31, 2015.

This situation limits control and accountability of the Village's operations and increases the possibility of errors or irregularities occurring and not being detected in a timely manner.

To improve control and accountability over the Village's sewer utility billing collections, we recommend:

- Council should adopt a stringent guideline of collection procedures for utility customers. This policy should list actions to be followed in collecting unpaid accounts and the timeframes in which they should occur.
- Village officials should regularly review listings of outstanding unpaid customer accounts. These listings should include customer account names, outstanding balances, and the length of time the accounts were unpaid.
- Council should be regularly advised of collection actions taken on outstanding accounts.
- Village officials should contact legal counsel regarding legal action to collect delinquent accounts, such as submitting the delinquent accounts to the county auditor and take the appropriate legal steps to collect the delinquent sewer customer accounts.



- Village officials should consider the use of a collection agency as a means of collecting delinquent sewer customer accounts.
- After a defined period of time, Village officials should make a determination whether unpaid accounts are uncollectible and should be written off. Any write-offs should be under the express authority of the Village Council.
- Village Council should consider making landlords responsible for sewer bills owed by renters so renters will not be allowed to run up large delinquent balances that the Village will never be able to collect.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

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**VILLAGE OF CECIL  
PAULDING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Material weakness over financial reporting.	Not corrected. Reissued as finding 2015-004 in this report.	The client declined to offer an explanation why the finding reoccurred. The Clerk/Treasurer plans to review future postings of financial activity to make sure they are properly reported in the accounting ledgers and financial statements.
2013-002	Material weakness and noncompliance on Ohio Rev. Code § 5705.40 for not properly posting approved appropriations.	Not corrected. Reissued as finding 2015-001 in this report.	The client declined to offer an explanation why the finding reoccurred. The Clerk/Treasurer plans to make sure all appropriation amendments receive Council approval and are being posted to the accounting system.
2013-003	Material noncompliance on Ohio Rev. Code § 5705.41(B) for disbursements exceeding appropriations.	Not corrected. Reissued as finding 2015-002 in this report.	The client declined to offer an explanation why the finding reoccurred. The Clerk/Treasurer plans to monitor budgeted appropriations and actual expenditures throughout the year to make sure expenditures do not exceed approved appropriations.
2013-004	Material noncompliance on Ohio Rev. Code § 5705.41(D) for not properly certifying all disbursements.	Corrective action taken and finding is fully corrected.	
2013-005	Material weakness over posting approved budgeted receipts.	Corrective action taken and finding is fully corrected.	

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# Dave Yost • Auditor of State

VILLAGE OF CECIL

PAULDING 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  
APRIL 6, 2017