

**VILLAGE OF ENON**

DAYTON REGION, CLARK COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Enon, Clark County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2006. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

February 14, 2008

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**VILLAGE OF ENON  
CLARK COUNTY**

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**MANNING & ASSOCIATES CPAs, LLC**  
**6105 NORTH DIXIE DRIVE**  
**DAYTON, OHIO 45414**

**REPORT OF INDEPENDENT ACCOUNTANTS**

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, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the 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 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 years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its large (i.e. major) funds separately for 2006 and 2005. 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 the 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 years ended December 31, 2006 and 2005 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, 2006 and 2005 or its changes in financial position or cash flows of its proprietary funds for the years 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, 2006 and 2005, 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 years ended December 31, 2006 and 2005. 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 a report dated August 15, 2007, on our consideration of the Village's internal control structure 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

August 15, 2007

**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, 2006

	<u>Governmental Fund Types</u>		<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 153,516	\$ 142,198	\$ 295,714
Intergovernmental Revenues	72,610	164,274	236,884
Charges for Services	0	1,516	1,516
Fines, Licenses and Permits	33,381	0	33,381
Earnings on Investments	8,987	6,223	15,210
Fines and Forfeitures	20,786	0	20,786
Miscellaneous	23,518	442	23,960
Total Cash Receipts	<u>312,798</u>	<u>314,653</u>	<u>627,451</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	70,060	123,665	193,725
Public Health Services	0	41,507	41,507
Leisure Time Activities	5,014	0	5,014
Transportation	0	100,386	100,386
General Government	109,760	5,062	114,822
Capital Outlay	36,736	67,365	104,101
Total Cash Disbursements	<u>221,570</u>	<u>337,985</u>	<u>559,555</u>
Total Receipts Over/(Under) Disbursements	<u>91,228</u>	<u>(23,332)</u>	<u>67,896</u>
Fund Cash Balances, January 1, 2006	<u>90,758</u>	<u>87,405</u>	<u>178,163</u>
Fund Cash Balances, December 31, 2006	<u>\$ 181,986</u>	<u>\$ 64,073</u>	<u>\$ 246,059</u>
Reserve for Encumbrances	<u>\$ 10,567</u>	<u>\$ 3,415</u>	<u>\$ 13,982</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, 2006

	<b>Proprietary Funds Types</b>	<b>Fiduciary Funds Types</b>	<b>Total (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Agency</b>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 505,295	\$ 0	\$ 505,295
Fines, Licenses and Permits	0	26,080	26,080
Miscellaneous	1,851	0	1,851
Total Operating Cash Receipts	507,146	26,080	533,226
<b>Operating Cash Disbursements:</b>			
Personal Service	149,841	0	149,841
Employee Fringe Benefits	77,708	0	77,708
Contractual Services	126,594	24,678	151,272
Utilities	875	0	875
Supplies and Materials	43,775	0	43,775
Total Operating Cash Disbursements	398,793	24,678	423,471
Operating Income/ (Loss)	108,353	1,402	109,755
<b>Non-Operating Cash Receipts/(Disbursements):</b>			
Earnings on Investments	273	0	273
Special Assessments	11,252	0	11,252
Sale of Notes	44,705	0	44,705
Debt Service:			
Redemption of Principal	(36,060)	0	(36,060)
Interest Expense	(20,032)	0	(20,032)
Miscellaneous Receipts	30,000	0	30,000
Capital Outlay	(90,134)	0	(90,134)
Total Non-Operating Cash Receipts/(Expenses)	(59,996)	0	(59,996)
Net Revenues Over/(Under) Expenses	48,357	1,402	49,759
Fund Cash Balances, January 1, 2006	106,791	1,108	107,899
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$ 155,148</b>	<b>\$ 2,510</b>	<b>\$ 157,658</b>
Reserve for Encumbrances	\$ 12,191	\$ 0	\$ 12,191

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, 2005

	<u>Governmental Fund Types</u>		<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 151,125	\$ 144,674	\$ 295,799
Intergovernmental Revenues	21,110	165,514	186,624
Charges for Services	0	4,716	4,716
Fines, Licenses and Permits	32,839	0	32,839
Earnings on Investments	3,496	2,173	5,669
Fines and Forfeitures	22,769	0	22,769
Miscellaneous	19,970	4,109	24,079
Total Cash Receipts	<u>251,309</u>	<u>321,186</u>	<u>572,495</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	72,780	105,390	178,170
Public Health Services	0	43,391	43,391
Leisure Time Activities	1,387	0	1,387
Transportation	0	86,118	86,118
General Government	158,108	0	158,108
Capital Outlay	20,570	62,998	83,568
Total Cash Disbursements	<u>252,845</u>	<u>297,897</u>	<u>550,742</u>
Total Receipts Over/(Under) Disbursements	<u>(1,536)</u>	<u>23,289</u>	<u>21,753</u>
Fund Cash Balances, January 1, 2005	<u>92,294</u>	<u>64,116</u>	<u>156,410</u>
Fund Cash Balances, December 31, 2005	<u>\$ 90,758</u>	<u>\$ 87,405</u>	<u>\$ 178,163</u>
Reserve for Encumbrances	<u>\$ 30,629</u>	<u>\$ 2,884</u>	<u>\$ 33,513</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, 2005

	<b>Proprietary Funds Types</b>	<b>Fiduciary Funds Types</b>	<b>Total (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Agency</b>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 487,560	\$ 0	\$ 487,560
Fines, Licenses and Permits	0	34,328	34,328
Miscellaneous	23,922	0	23,922
<b>Total Operating Cash Receipts</b>	<b>511,482</b>	<b>34,328</b>	<b>545,810</b>
<b>Operating Cash Disbursements:</b>			
Personal Service	141,160	0	141,160
Employee Fringe Benefits	61,982	0	61,982
Contractual Services	113,021	35,442	148,463
Utilities	195	0	195
Supplies and Materials	35,789	0	35,789
<b>Total Operating Cash Disbursements</b>	<b>352,147</b>	<b>35,442</b>	<b>387,589</b>
<b>Operating Income/ (Loss)</b>	<b>159,335</b>	<b>(1,114)</b>	<b>158,221</b>
<b>Non-Operating Cash Receipts/(Disbursements):</b>			
Special Assessments	15,594	0	15,594
Sale of Bonds	84,096	0	84,096
Debt Service:			
Redemption of Principal	(78,786)	0	(78,786)
Interest Expense	(21,534)	0	(21,534)
Miscellaneous Receipts	30,000	0	30,000
Capital Outlay	(89,805)	0	(89,805)
<b>Total Non-Operating Cash Receipts/(Expenses)</b>	<b>(60,435)</b>	<b>0</b>	<b>(60,435)</b>
<b>Net Revenues Over/(Under) Expenses</b>	<b>98,900</b>	<b>(1,114)</b>	<b>97,786</b>
<b>Fund Cash Balances, January 1, 2005</b>	<b>7,891</b>	<b>2,222</b>	<b>10,113</b>
<b>Fund Cash Balances, December 31, 2005</b>	<b>\$ 106,791</b>	<b>\$ 1,108</b>	<b>\$ 107,899</b>
<b>Reserve for Encumbrances</b>	<b>\$ 124,324</b>	<b>\$ 0</b>	<b>\$ 124,324</b>

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, 2006 AND 2005

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**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:

**1. General Fund**

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

**2. Special Revenue Funds**

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

**VILLAGE OF ENON  
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (continued)**

**2. 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.

**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 Funds:

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

**4. 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.

**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. 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.

**2. 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.

**VILLAGE OF ENON  
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (continued)**

**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 2006 and 2005 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>2006</u>	<u>2005</u>
Demand Deposits	\$ 222,556	\$ 175,895
STAR Ohio	<u>181,161</u>	<u>110,167</u>
Total deposits and Investments	<u>\$ 403,717</u>	<u>\$ 286,062</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, 2006 AND 2005

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2006 was as follows:

**2006 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 264,565	\$ 312,798	\$ 48,233
Special Revenue	266,579	341,400	74,821
Enterprise	475,600	593,376	117,776
Total	<u>\$ 1,006,744</u>	<u>\$ 1,247,574</u>	<u>\$ 240,830</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 296,538	\$ 232,137	\$ 64,401
Special Revenue	338,883	341,386	(2,503)
Enterprise	1,159,324	572,210	587,114
Total	<u>\$ 1,794,745</u>	<u>\$ 1,145,733</u>	<u>\$ 649,012</u>

Budgetary activity for the year ending December 31, 2005 was as follows:

**2005 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 274,120	\$ 251,309	\$ (22,811)
Special Revenue	292,666	321,186	28,520
Enterprise	425,600	641,172	215,572
Total	<u>\$ 992,386</u>	<u>\$ 1,213,667</u>	<u>\$ 221,281</u>

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 318,252	\$ 283,474	\$ 34,778
Special Revenue	271,176	300,781	(29,605)
Enterprise	648,670	666,596	(17,926)
Total	<u>\$ 1,238,098</u>	<u>\$ 1,250,851</u>	<u>\$ (12,753)</u>

The Village was in violation of Ohio Rev. Code Section 5705.39 as appropriations exceeded estimated resources in 2006 for the Police Levy and Water Works Enterprise funds by \$11,965 and \$577,533 and in 2005 the Water Works by \$215,029. The Village was also in violation of ORC. Code section 5705.41(B) expenditures and encumbrances exceeded appropriations in 2006 in the Street Construction, Police Donation, Health Fund, Mayors Court Computer and Fema Funds by \$4,929, \$1,155, \$41,507, \$3,351 and \$5,062 and in 2005 the Street Construction, Health Fund, Mayors Court Computer and Water Works Enterprise Funds by \$2,123, \$44,199, \$1,509 and \$18,258, respectively.

**VILLAGE OF ENON  
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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**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 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 assesses 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 behalf of the Village.

**5. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest</u>
Ohio Water Development Authority Loan	\$595,746	3.26%
Ohio Public Works Commission (A)	71,841	0.00%
Ohio Public Works Commission (B)	20,790	0.00%
Ohio Water Development Authority Loan	<u>128,800</u>	0.00%
Total	<u><u>\$817,177</u></u>	

Ohio Water Development Authority Loan:

Relates to new well field development. The loan will be repaid in semi-annual installments of \$44,941, over 20 years with final maturity on 07/1/2024. The loan was originally approved for \$690.160, total funds drawn \$656,541, with final amortization schedule starting with Jan. 2005. Secured by water and sewer rates.

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. Secured by water and sewer rates.

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. Secured by water and sewer rates.

Ohio Public Works Commission Loan:

Stine Road Improvement will be repaid in semi-annual installments of \$3,220 over 20 years with final maturity on 7/1/26. Secured by water and sewer rates.

**VILLAGE OF ENON  
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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**5. DEBT, (continued)**

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

<u>Year Ending December 31,</u>	<u>OWDA Loan</u>	<u>OPWC Loans</u>
2007	\$ 22,471	\$ 17,591
2008	44,941	17,591
2009	44,941	17,591
2010	44,941	17,591
2011	44,941	15,281
2012 – 2016	224,705	64,855
2017 – 2021	224,705	38,731
2022 – 2026	134,823	32,200
Total	\$ <u>786,468</u>	\$ <u>221,431</u>

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contribute 9% and 8.5% of their gross salaries for 2006 and 2005, respectively. The Village contributes an amount equal to 13.7% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Village has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

The Village is insured through the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 460 governmental entity members providing formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides, Property, Liability, Wrongful Acts, Law Enforcement, Automobile, Bond, Crime, Inland Marine, Fire Vehicle RC, EDP, Governmental Medical Liability, Employee Benefits Liability, and Automobile Liability, and other coverage's. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

**VILLAGE OF ENON  
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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**7. RISK MANAGEMENT**, continued

The Plan issues its own policies and reinsures the Plans with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% of \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which may vary from member to member.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

<u>Type</u>	<u>Coverage</u>
Umbrella	\$5,000,000
General Liability	3,000,000
Buildings & Personal Property	7,211,722
Inland Marine	234,610
Automobile	1,000,000

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets liabilities and retained earnings at December 31, 2006 and 2005 (latest available):

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

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

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

Separate bonds with higher covered limits cover specific employees of the Village, who collect money, and Reliable Plumbing, who collects utilities bills.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**VILLAGE OF ENON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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**8. CONTINGENT LITIGATION**

Litigation

The Village was a defendant in a lawsuit. The Village has retained a legal firm to represent the interests of the Village in this litigation.

**9. SUBSIDY PAYMENTS**

The Village entered into an agreement with REM Investments regarding well field contamination. This agreement, among other things, calls for an annual payment from REM Investments to the Village. The Village received \$30,000 in 2006 and 2005, respectively.

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**MANNING & ASSOCIATES, CPAs, LLC**  
**6105 North Dixie Drive**  
**Dayton, Ohio 45414**

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

Village of Enon  
363 East Main Street  
PO Box 232  
Enon, Ohio 45323

To the Village Council:

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, 2006 and 2005, and have issued our report thereon dated August 15, 2007, 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 audits 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-consequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-006 through 2006-008.

### **Internal Control Over Financial Reporting (continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-007 is also material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 15, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we performed tests of 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 such 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 2006-001 through 2006-008.

In a separate letter to the Village's management dated August 15, 2007, we reported other matters related to noncompliance we deemed immaterial.

This report is intended for the information and use of the audit committee, management and Council, and is not intended to be and should not be used by anyone other than these specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

August 15, 2007

**VILLAGE OF ENON  
CLARK COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2005**

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

**FINDING NUMBER 2006-001**

**Ohio Rev. Code, Section 5705.41 (D)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. These certificates need to be signed only by a subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 (\$3,000 after April 7, 2003), the Fiscal Officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for some of expenditures tested and neither of the above two exceptions applied.

Failure to properly certify the availability of funds can result in overspending available funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend that Village obtain approved purchase orders, including amounts, which contain the Fiscal Officer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

Response: The Fiscal Officer will use then and now when deemed necessary as per ORC.

**FINDING NUMBER 2006-002**

**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 the Police Levy and the Water works fund for 2006 and in the Water works fund in 2005. The following variances were noted:

Fund	2006	2005
Police Levy	\$11,965	0
Water Works	\$577,533	\$215,029

Response: Fiscal Officer and Council will monitor budgetary more closely.

**VILLAGE OF ENON  
CLARK COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-003**

**Ohio Rev. 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 or less 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. In 2005, estimated resources were less than budgeted for the general fund.

Response: The Village will file an amendment with the County when revenues are not as anticipated.

**FINDING NUMBER 2006-004**

**Ohio Rev. Code Section 5705.41(B)** states that no subdivision or taxing authority is to expend money unless it has been appropriated. During 2006, expenditures exceeded appropriations in the Street Construction, Police Donation, Health Fund, and Mayors Court Computer, and FEMA Funds. During 2005, expenditures exceeded appropriations in the Street Construction, Health Fund, Mayors Court Computer, Water Works Funds. The following variances were noted:

Fund	2006	2005
Health Fund	\$41,507	\$44,199
Mayors Court Computer	3,351	1,509
Water Works	0	18,258
Street Construction	4,929	2,123
FEMA	5,062	0
Police Donation	1,155	0

Response: The Village will monitor budgetary more closely in the future.

**FINDING NUMBER 2006-005**

**Ohio Rev. Code, Section 5705.36**, requires that on or about the first day of the fiscal year, the Fiscal Officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget, or if adoption of a tax budget was waived, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

The Village's combined year end cash fund balances for several funds in the certificate for 2006 and 2005 did not properly reflect the cash balances of the Village.

Failure to complete budgetary documents properly, to submit them to the county auditor, and to properly record its budgetary activity may result in inaccurate budgetary documents and lack of budgetary oversight. We recommend the Village complete all budgetary documents properly, submit budgetary documents to the county auditor for review, and properly post all activity.

Response: The Village will monitor budgetary more closely in the future.

**VILLAGE OF ENON  
CLARK COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2005**

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-006**

**Ohio Rev. Code, Section 5705.10**, states that money that is paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Village had negative fund balances in the Policy Levy (\$8,322) and Water Works (\$20,087), funds in March 2005 and January 2005, respectively. Failure to properly monitor fund balances and expenditures can result in the illegal expenditure of money. We recommend that the Village properly monitor expenditures and available fund balances to prevent negative fund balances.

Response: The Village will monitor fund balances more closely in the future.

**FINDING NUMBER 2006-007**

**Ohio Rev. Code, Section 733.28**, requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. An accurate record was not maintained for all monies received by the Village. The following misstatements were noted:

- A. Revenue and disbursements for the Health Levy was not properly recorded in the Health Levy Fund. Revenues and disbursements were posted to the General Fund.
- B. Sale of Notes were posted as Other Financing Sources instead of debt issuances
- C. Improper posting of Revenues.
- D. The reconciled Mayors Court bank account does not agree to the Mayors Court fund balance.
- E. Expenditure items were not properly classified on the annual financial reports. Debt payments were posted to capital outlay in the Enterprise fund.
- F. Errors were noted on payroll tax filings and incorrect withholding percentage for OPERS

All of these conditions resulted in inaccurate accounting records.

We recommend the Village post all entries in chronological order, reflecting month-to-date and year-to-date totals. We also recommend the Village reconcile the cash journal to the bank, the receipt ledger, and the appropriation ledger on a monthly basis. Implementation of these procedures will add a substantial measure of control to the receipt and expenditure process, as well as provide assurance that the activity is properly handled and fairly presented on the Village's ledgers and financial reports. The Village have made these adjustments to their books and the adjustments are reflected in the financial statements.

Response: The Village will review its current accounting methods and implement changes where needed.

**VILLAGE OF ENON  
CLARK COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2005**

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-008**

**Failure to File Annual Reports**

**Ohio Rev. Code Section 117.38** requires each public office to file a financial report for each fiscal year with the Auditor of State within 60 days. It further requires that upon filing the Fiscal Officer shall publish notice in a newspaper of general circulation in the subdivision that the annual financial report has been completed and is available for inspection at the office of the Village.

The Village failed to file the annual report with the Auditor of State for 2006 which could lead to a penalty assessed by the Auditor of State. Also, there was no indication of a published notice that the annual reports were available for inspection in both 2005 and 2006.

The Village Council Members should develop procedures for monitoring compliance with the annual report filing and publication requirements.

Response: The Fiscal Officer will file future reports timely via certified mail. Notice will be given to the public when these reports are available for inspection.

**VILLAGE OF ENON  
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2006 AND 2005**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID; <i>EXPLAIN</i> :
2004-001	Ohio Rev. Code Section 5705.41(D) - Prior certification of funds	NO	Not Corrected; Reissued 2006-001
2004-002	Ohio Rev. Code Section 5705.39 - Appropriations in excess of the amounts certified as estimated resources.	NO	Not Corrected; Reissued 2006-002
2004-003	Ohio Rev. Code Section 5705.41(B) - Expenditures and encumbrances exceeded appropriations	NO	Not Corrected; Reissued 2006-003
2004-004	Bank Reconciliations Failure to accurately and completely reconcile the bank account to the fund ledgers	YES	Corrected



**Mary Taylor, CPA**  
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  
MARCH 6, 2008