

VILLAGE OF CAIRO  
ALLEN COUNTY, OHIO  
REGULAR AUDIT  
JANUARY 1, 2005 THROUGH DECEMBER 31, 2006  
YEARS AUDITED UNDER GAGAS: 2006 AND 2005

CAUDILL & ASSOCIATES CPA's

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725 5<sup>th</sup> Street  
Portsmouth, Ohio 45662





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Cairo  
P.O. Box 198  
Cairo, Ohio 45820

We have reviewed the *Independent Auditor's Report* of the Village of Cairo, Allen County, prepared by Caudill & Associates, CPA's, 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 *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Cairo is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 22, 2007

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VILLAGE OF CAIRO  
ALLEN COUNTY

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# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

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## Independent Auditor's Report

Member of Council  
Village of Cairo  
Allen County  
P.O. Box 198  
Cairo, Ohio 45820

We have audited the accompanying financial statements of the Village of Cairo (The Village), Allen County, Ohio, 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 these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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 presenting its larger (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 this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the 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 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, as of the December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Members of Council  
Village of Cairo  
Independent Auditor's Report  
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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 our report dated August 24, 2007, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
August 24, 2007

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEARS ENDED DECEMBER 31, 2006**

	<u>Governmental Funds Types</u>			Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	(Memorandum Only)
<b><u>Cash Receipts</u></b>				
Property and Other Taxes	\$ 43,010	\$ -	\$ -	\$ 43,010
Municipal Income Taxes	18,656	-	-	18,656
Intergovernmental Receipts	30,279	24,252	-	54,531
Special Assessments	-	-	87,755	87,755
Fines Licences & Permit	4,957	-	-	4,957
Charges for Services	8,039	-	-	8,039
Earnings on Investments	-	540	-	540
Miscellaneous	7,456	-	-	7,456
Total Cash Receipts	<u>112,397</u>	<u>24,792</u>	<u>87,755</u>	<u>224,944</u>
<b><u>Disbursements:</u></b>				
Security of Persons and Property	17,411	-	-	17,411
Public Health Services	1,277	-	-	1,277
Leisure Time Activities	6,417	-	-	6,417
Transportation	-	22,453	-	22,453
General Government	58,222	-	-	58,222
Redemption of Principal	4,283	-	20,700	24,983
Interest and Other Fiscal Changes	1,210	-	30,242	31,452
Total Cash Disbursements	<u>88,820</u>	<u>22,453</u>	<u>50,942</u>	<u>162,215</u>
Total Receipts Over (Under) Disbursements	<u>23,577</u>	<u>2,339</u>	<u>36,813</u>	<u>62,729</u>
Fund Cash Balance, January 1,	<u>(6,900)</u>	<u>55,177</u>	<u>37,217</u>	<u>85,494</u>
Fund Cash Balance December 31	<u>\$ 16,677</u>	<u>\$ 57,516</u>	<u>\$ 74,030</u>	<u>\$ 148,223</u>
Reserve for Encumbrances, December 31	<u>\$ 2,737</u>	<u>\$ 186</u>	<u>\$ -</u>	<u>\$ 2,923</u>

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

VILLAGE OF CAIRO  
ALLEN COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEARS ENDED DECEMBER 31, 2005**

	<u>Governmental Funds Types</u>			Totals
	General	Special Revenue	Debt Service	(Memorandum Only)
<b><u>Cash Receipts</u></b>				
Property and Other Taxes	\$ 40,197	\$ -	\$ -	\$ 40,197
Intergovernmental Receipts	30,960	36,835	-	67,795
Special Assessments	-	-	41,313	41,313
Fines Licences & Permit	2,032	-	-	2,032
Charges for Services	8,462	-	-	8,462
Earnings on Investment	-	425	-	425
Miscellaneous	2,735	-	-	2,735
Total Cash Receipts	<u>84,386</u>	<u>37,260</u>	<u>41,313</u>	<u>162,959</u>
<b><u>Disbursements:</u></b>				
Security of Persons and Property	14,502	-	-	14,502
Public Health Services	1,232	-	-	1,232
Leisure Time Activities	5,013	-	-	5,013
Transportation	-	18,938	-	18,938
General Government	52,133	-	-	52,133
Redemption of Principal	4,433	-	27,050	31,483
Interest and Other Fiscal Changes	1,084	-	30,599	31,683
Total Cash Disbursements	<u>78,397</u>	<u>18,938</u>	<u>57,649</u>	<u>154,984</u>
Total Receipts Over (Under) Disbursements	<u>5,989</u>	<u>18,322</u>	<u>(16,336)</u>	<u>7,975</u>
Fund Cash Balance, January 1	<u>(12,889)</u>	<u>36,855</u>	<u>53,553</u>	<u>77,519</u>
Fund Cash Balance December 31	<u>\$ (6,900)</u>	<u>\$ 55,177</u>	<u>\$ 37,217</u>	<u>\$ 85,494</u>
Reserve for Encumbrances, December 31	<u>\$ 2,183</u>	<u>\$ 223</u>	<u>\$ -</u>	<u>\$ 2,406</u>

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

**VILLAGE OF CAIRO  
ALLEN COUNTY**

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

**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 Cairo, Allen 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 street lighting, park operations (leisure time activities), and police services. The Village contracts with Monroe Township to receive fire protection 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 maintains all funds in a demand account.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Permissive Motor Vehicle License Tax Fund - This fund receives the proceeds of a levied license fee for constructing, maintaining, and repairing Village streets.

**3. Debt Service Fund**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service funds:

Debt Retirement Fund - This fund receives the sewer surcharge collected by the Allen County Sanitary Engineer for the retirement of the Ohio Public Works Commission, Rural Development, and the Ohio Environmental Protection Agency loans.

**VILLAGE OF CAIRO  
ALLEN COUNTY**

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

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

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 report these items as assets.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash pool that 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	<u>\$ 148,223</u>	<u>\$ 85,494</u>

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

**VILLAGE OF CAIRO  
ALLEN COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$106,793	\$112,397	\$5,604
Special Revenue	23,039	24,792	1,753
Debt Service	42,000	87,755	45,755
Total	\$171,832	\$224,944	\$53,112

  

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,310	\$91,557	\$753
Special Revenue	33,923	22,639	11,284
Debt Service	45,600	50,942	(5,342)
Total	\$171,833	\$165,138	\$6,695

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,289	\$84,386	(\$5,903)
Special Revenue	15,000	37,260	22,260
Debt Service	42,000	41,313	(687)
Total	\$147,289	\$162,959	\$15,670

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,210	\$80,580	(\$8,370)
Special Revenue	27,450	19,161	8,289
Debt Service	57,072	57,649	(577)
Total	\$156,732	\$157,390	(\$658)

**VILLAGE OF CAIRO  
ALLEN COUNTY**

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

**5. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Gym Floor Replacement Note	\$14,410	4.95%
Ohio Public Works Commission Loan Assistance	152,400	0%
Sanitary Sewer System Revenue Bonds	<u>623,000</u>	4.75%
Total	<u><u>\$789,810</u></u>	

On September 9, 2004, the Village refinanced the promissory note for the purpose of replacing the gymnasium floor in the recreational building. The note is payable from the general fund over a term of 60 monthly installments of principal and interest.

The Ohio Public Works Commission (OPWC) loan and the sanitary sewer revenue bond issue relates to the construction of a sanitary sewer system that was mandated by the Ohio Environmental Protection Agency.

The OPWC granted \$254,000 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$6,350, over 20 years. The sanitary sewer revenue bonds were purchased by the United States Department of Agriculture/Rural Development.

This loan and the bond issue are collateralized by a sewer rate surcharge. The Village has agreed to set sewer rates sufficient to cover debt service requirements.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>Gym Floor Replacement</u>	<u>OPWC Loan</u>	<u>Sanitary Sewer System Bonds</u>	<u>Totals</u>
2007	\$ 5,492	\$ 12,700	\$ 38,593	\$ 56,785
2008	5,492	12,700	38,165	56,357
2009	4,119	12,700	38,738	55,557
2010	-	12,700	38,852	51,552
2011	-	12,700	38,921	51,621
Subsequent		88,900	1,030,938	1,119,838
Total	<u>15,103</u>	<u>152,400</u>	<u>1,224,207</u>	<u>1,391,710</u>
Less Interest	<u>(693)</u>		<u>(601,207)</u>	<u>(601,900)</u>
Principal Balance	<u><u>\$ 14,410</u></u>	<u><u>\$ 152,400</u></u>	<u><u>\$ 623,000</u></u>	<u><u>\$ 789,810</u></u>

**VILLAGE OF CAIRO  
ALLEN COUNTY**

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

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5 percent, respectively, of their gross salaries. The Village contributed an amount equaling 13.70 and 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF CAIRO  
ALLEN COUNTY**

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

**8. COMPLIANCE**

Contrary to the Ohio Revised Code Section 5705.41 (B), expenditures exceeded appropriations for the Debt Service Fund by \$5,342 in 2006. In 2005, expenditures exceeded appropriations for the General Fund and the Debt Service Fund by \$8,370 and \$577, respectively.

In 2006 and 2005, 100% of the expenditures tested were not properly certified contrary to the Ohio Revised Code Section 5705.41(D).

In 2005, the Village advanced \$15,000 from the Street Fund to the General Fund which according to 5705.16 and AOS Bulletin 97-003 was not a legal advance. The financial statements have been adjusted to reverse this advance.

Contrary to the Ohio Revised Code Section 5705.10, the Village was cited for carrying a negative fund balance in the General Fund and the Permissive Tax Fund as of January 1, 2006.

# Caudill & Associates, CPA's

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Member American Institute of Certified Public Accountants

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Kentucky Society of Certified Public Accountants

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of Council  
Village of Cairo  
Allen County  
Cairo, Ohio 45820

We have audited the accompanying financial statements of the Village of Cairo (the Village), Allen County, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's financial statements, and have issued our report thereon dated August 24, 2007, wherein we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **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 on 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 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 Village'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 a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2006-004 and 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Village of Cairo  
Allen County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about 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 have a direct and material effect on 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 four instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items No. 2006-001, 2006-002, 2006-003 and 2006-004

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of the Village in a separate letter dated August 24, 2007.

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

*Caudill & Associates, CPAs*

**Caudill & Associates, CPA's**  
August 24, 2007

VILLAGE OF CAIRO  
ALLEN COUNTY

SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005

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

Finding Number 2006-001

Non-compliance Citation - Expenditures Limited by Appropriations

The Ohio Rev. Code Section 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had expenditures that exceeded appropriations:

	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<u>2006</u>	Debt Service	45,600	50,942	(5,342)
<u>2005</u>	General	72,210	80,580	(8,370)
	Debt Service	57,072	57,649	(577)

Failure to limit expenditures by the approved appropriations could result in deficit spending which could lead to deficit fund balances.

The Village should limit all expenditures to within the approved appropriation amounts. When expenditures will exceed the approved appropriation amounts, amended or supplemental appropriations need to be issued and approved by Council.

**Village's Response:**

The Village will follow the auditor's recommendation and correct beginning in 2007.

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
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 2006-002**

**Non-compliance Citation - Certification of Expenditures**

**The Ohio Rev. Code Section 5705.41 (D)** states that no order or contract involving the expenditure of money is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

An exception to this requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant (“Then and Now”). The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 (\$3,000 after April 7, 2003), may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Prior certification was not obtained for 100 percent of the expenditures in 2006 and 2005

Certification that funds are available should be obtained prior to purchasing goods and services to prevent possible overspending of resources and/or the obligation of amounts in excess of funds available. All purchase orders should be reviewed and signed by the Village Clerk and Village Council.

**Village’s Response:**

The Village has implemented the use of purchase orders in the Uniform Accounting Network System for 2007.

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

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

**Finding Number 2006-003**

**Non-compliance Citation - Negative Fund Balances**

The Ohio Revised Code Section 5705.10, states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. Money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund had a negative fund balance of (\$6,900) and the Permissive Tax Fund had a negative fund balance of (\$239) as of December 31, 2005.

The Village should limit spending to only essential purchases in funds experiencing cash flow problems.

**Village's Response:**

The Village will follow the auditor's recommendation and limit spending to only essential purchases in funds experiencing cash flow problems.

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
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 2006-004**

**Non-compliance Citation and Significant Deficiency – Illegal Advance**

Auditor of State Bulletin 97-003 states the Inter-fund cash advances are subject to the following requirements:

1. Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances on the other hand, are intended to temporarily reallocate cash from one fund to another and involve expectation of repayment.
2. In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established;
3. The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
4. Advances must be approved by a formal resolution of the taxing authority of the subdivision. This resolution must include:
  - a. A specific statement that the transaction is an advance of cash, and
  - b. An indication of the money (fund) from which it is expected that repayment will be made.

In 2005, the Village approved an advance of \$15,000 from the Street Fund to the General Fund. As of December 31, 2005 \$5,000 of the \$15,000 had been repaid by the General Fund, with an outstanding balance of \$10,000. This advance didn't meet the requirements specified by AOS Bulletin 97-003. The financial statements and the Village's accounting records have been adjusted to reverse this advance.

**Village's Response:**

The Village will follow the auditor's recommendation and reverse the illegal advance.

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

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

**Finding Number 2006-005**

**Significant Deficiency - Posting of Debt Payments**

Upon issuing a check, the Clerk must determine the proper classification of the expenditure based on the Village chart of accounts. The chart of accounts separates interest and principal for all debt payments. All debt payments for the General Fund were posted entirely to capital outlay.

Failure to post debt to the correct account codes could result in a material misstatement to the financial statements and possible audit adjustments. The audited financial statements have been adjusted to properly reflect the debt payments.

Procedures should be implemented to determine that all expenditures, including debt payments, are posted to the correct line item according to the chart of accounts.

**Village's Response:**

This item passed previous audits. Interest and principal amounts are noted separately.

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
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	Findings for Recovery	Yes	
2004-002	Deficit General Fund Balance	No	Repeated as Finding # 2006 - 003
2004-003	Issuance of Amended Certificates of Estimated Resources	Partially Corrected	Included in Management Letter.
2004-004	Expenditures Limited by Appropriations	No	Repeated as Finding # 2006 - 001
2004-005	Certification of Expenditures	No	Repeated as Finding # 2006 - 002
2004-006	Fiscal Responsibility	Yes	
2004-007	Recreation Income	Yes	



**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF CAIRO

ALLEN COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 8, 2007