



Mary Taylor, CPA
Auditor of State

VILLAGE OF CEDARVILLE
GREENE COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Cedarville
Greene County
141 East Xenia Avenue
Cedarville, Ohio 45314

To the Village Council:

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

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Mary Taylor, CPA
Auditor of State

May 11, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Cedarville
Greene County
141 East Xenia Avenue
Cedarville, Ohio 45314

To the Village Council:

We have audited the accompanying financial statements of the Village of Cedarville, Greene County, (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 these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the 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 larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards require 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.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Cedarville, Greene 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 our report dated May 11, 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. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 11, 2007

**VILLAGE OF CEDARVILLE
GREENE 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$61,174	\$6,241	\$67,415
Municipal Income Taxes	430,337		430,337
Intergovernmental Receipts	185,562	208,166	393,728
Fines, Licenses, and Permits	170	11,787	11,957
Earnings on Investments	11,136	2,344	13,480
Miscellaneous	18,233	28,907	47,140
Total Cash Receipts	<u>706,612</u>	<u>257,445</u>	<u>964,057</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	33,088	305,691	338,779
Public Health Services	2,317		2,317
Leisure Time Activities	14,999	1,595	16,594
Community Environment	3,717		3,717
Basic Utility Services	14,444	200	14,644
Transportation	30,000	217,887	247,887
General Government	349,082		349,082
Debt Service:			
Principal Payments	16,654		16,654
Interest Payments	1,321		1,321
Total Cash Disbursements	<u>465,622</u>	<u>525,373</u>	<u>990,995</u>
Total Receipts Over/(Under) Disbursements	<u>240,990</u>	<u>(267,928)</u>	<u>(26,938)</u>
Other Financing Receipts and (Disbursements):			
Sale of Assets	8,340		8,340
Transfers-In		282,250	282,250
Advances-In	15,095		15,095
Transfers-Out	(282,250)		(282,250)
Advances-Out		(15,095)	(15,095)
Total Other Financing Receipts/(Disbursements)	<u>(258,815)</u>	<u>267,155</u>	<u>8,340</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(17,825)	(773)	(18,598)
Fund Cash Balances, January 1	<u>280,417</u>	<u>72,469</u>	<u>352,886</u>
Fund Cash Balances, December 31	<u>\$262,592</u>	<u>\$71,696</u>	<u>\$334,288</u>
Reserves for Encumbrances, December 31	<u>\$16,639</u>	<u>\$1,673</u>	<u>\$18,312</u>

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

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$88,699
Miscellaneous	2,444
	91,143
Operating Cash Disbursements:	
Personal Services	19,953
Contractual Services	64,882
Supplies and Materials	2,229
	87,064
Operating Income/(Loss)	4,079
Fund Cash Balances, January 1	16,075
Fund Cash Balances, December 31	\$20,154
Reserve for Encumbrances, December 31	\$2,200

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

**VILLAGE OF CEDARVILLE
GREENE 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$54,061	\$5,284	\$59,345
Municipal Income Taxes	428,480		428,480
Intergovernmental Receipts	181,909	364,208	546,117
Charges for Services		230	230
Fines, Licenses, and Permits	300	5,068	5,368
Earnings on Investments	9,065	1,822	10,887
Miscellaneous	20,092	3,097	23,189
Total Cash Receipts	<u>693,907</u>	<u>379,709</u>	<u>1,073,616</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	33,523	315,926	349,449
Public Health Services	1,159		1,159
Leisure Time Activities	14,999	1,549	16,548
Community Environment	3,752	263,709	267,461
Basic Utility Services	21,467		21,467
Transportation	22,634	121,649	144,283
General Government	284,703		284,703
Debt Service:			
Principal Payments	15,993		15,993
Interest Payments	1,982		1,982
Total Cash Disbursements	<u>400,212</u>	<u>702,833</u>	<u>1,103,045</u>
Total Receipts Over/(Under) Disbursements	<u>293,695</u>	<u>(323,124)</u>	<u>(29,429)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In	2,632	302,626	305,258
Transfers-Out	(302,626)	(2,632)	(305,258)
Advances-Out	(15,095)	15,095	
Total Other Financing Receipts/(Disbursements)	<u>(315,089)</u>	<u>315,089</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(21,394)</u>	<u>(8,035)</u>	<u>(29,429)</u>
Fund Cash Balances, January 1	<u>301,811</u>	<u>80,504</u>	<u>382,315</u>
Fund Cash Balances, December 31	<u>\$280,417</u>	<u>\$72,469</u>	<u>\$352,886</u>
Reserves for Encumbrances, December 31	<u><u>\$24,284</u></u>	<u><u>\$810</u></u>	<u><u>\$25,094</u></u>

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$71,118
Miscellaneous	539
Total Operating Cash Receipts	71,657
Operating Cash Disbursements:	
Personal Services	18,173
Contractual Services	61,380
Supplies and Materials	2,669
Total Operating Cash Disbursements	82,222
Operating Income/(Loss)	(10,565)
Fund Cash Balances, January 1	26,640
Fund Cash Balances, December 31	\$16,075
Reserve for Encumbrances, December 31	\$0

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

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 Cedarville, Greene County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides park operations and police services. The Village contracts with the Rumpke for refuse service.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

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

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

C. Cash and Investments

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

The Village values certificates of deposit, U.S. Treasury Notes and common stock at cost. 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:

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

Police Operating Fund -This fund receives property tax money for operating the Village's police department.

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Enterprise Funds

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

Refuse Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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.

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:

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2006	2005
Demand deposits	\$243,004	\$170,328
Investments	111,438	198,633
Total deposits and investments	\$354,442	\$368,961

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or by the financial institution's public entity deposit pool.

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

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	\$680,135	\$730,047	\$49,912
Special Revenue	409,821	539,695	129,874
Enterprise	83,212	91,143	7,931
Total	\$1,173,168	\$1,360,885	\$187,717

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$956,779	\$764,511	\$192,268
Special Revenue	473,532	542,141	(68,609)
Enterprise	98,676	89,264	9,412
Total	\$1,528,987	\$1,395,916	\$133,071

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$698,464	\$696,539	(\$1,925)
Special Revenue	677,864	697,430	19,566
Enterprise	71,600	71,657	57
Total	\$1,447,928	\$1,465,626	\$17,698

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$739,636	\$742,217	(\$2,581)
Special Revenue	419,111	706,275	(287,164)
Enterprise	81,790	82,222	(432)
Total	\$1,240,537	\$1,530,714	(\$290,177)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Fund by \$137,982 and in the Library Fund by \$200 for the year ended December 31, 2006. Additionally budgetary expenditures exceeded appropriation authority in the General Fund by \$2,582, the Street Fund by \$17,128, the Library fund by \$263,709, the Police fund by \$6,415, and the Enterprise fund by \$431 for the year ended December 31, 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.

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

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

5. 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

The Village entered into a three year lease with Public-Finance.com Inc. on March 1, 2004 to purchase a road paving machine. No lease payments were made prior to December 31, 2004. Lease payments outstanding at December 31, 2006 was as follows:

2007	Principal \$17,301	Interest \$673
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**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. 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, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. For 2006 and 2005, OPERS members contributed 9 and 8.5 percent of their wages and the Village contributed an amount equal to 13.7 and 13.55 percent respectively of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT (Continued)

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Village's share of these unpaid claims is approximately \$26,656.

9. CONTINGENT LIABILITIES

The Village has no known contingent liabilities.

10. SUBSEQUENT EVENTS

During February 2007, the Council approved the purchase of a new police cruiser. The total cost of the police cruiser is \$24,912. Additionally, during February the Village made the final payment on its road patching equipment. See note 6.



Mary Taylor, CPA

Auditor of State

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

Village of Cedarville
Greene County
141 East Xenia Avenue
Cedarville, Ohio 45314

To the Village Council:

We have audited the financial statements of the Village of Cedarville (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 11, 2007 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 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 the Village's internal control will not prevent or detect a more-than-inconsequential 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: 2006-001 and 2006-002.

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.

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**Internal Control Over Financial Reporting
(Continued)**

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2006-002. We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 11, 2007.

We intend this report solely for the information and use of the audit committee, management and the Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 11, 2007

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Weakness and Significant Deficiency – Posting of Financial Activity

The financial statements should reflect an accurate account of the Village's activity. Numerous audit adjustments were made to the Village's 2006 and 2005 financial statements and records, including but not limited to, the following:

In 2005:

- \$2,588 reduction in General Fund tax property revenue
- \$2,484 reduction in General Fund income tax revenue
- \$8,901 increase in General Fund intergovernmental revenue
- \$17,076 increase in Street Fund intergovernmental revenue
- \$16,631 increase in Street Fund transportation expenditures (on-behalf of)

In 2006:

- \$13,015 reduction in General Fund property tax revenue
- \$9,833 increase in General Fund income tax revenue
- \$8,804 increase in General Fund intergovernmental revenue
- \$5,250 decrease in General Fund transportation expenditures
- \$8,340 increase in General Fund Sale of assets
- \$2,336 reduction in General Fund transfers-in
- \$5,250 increase in General Fund transfers-out
- \$142,273 increase in Street Fund intergovernmental revenue
- \$103,825 increase in Street Fund transportation expenditures (on-behalf of)
- \$35,985 reduction in Street Fund transfers-in

Misclassification of revenues and expenditures could affect management's decisions. The Village should develop and implement internal control procedures to provide for accurate reporting of financial activity including periodic independent review of records. This comment was also in the prior audits management letter.

FINDING NUMBER 2006-002

Noncompliance and Material Weakness and Significant Deficiency

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had expenditures in excess of amounts appropriated at December 31, 2006:

<u>Fund</u>	<u>Appropriated</u>	<u>Expenditures</u>	<u>Variance</u>
Special Revenue Funds:			
Street Fund	\$74,179	\$212,161	(\$137,982)
Library Fund	15,095	15,295	(200)

The following funds had expenditures in excess of amounts appropriated at December 31, 2005:

<u>Fund</u>	<u>Appropriated</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$739,636	\$742,218	(\$2,582)
Special Revenue Funds:			
Street Fund	98,621	115,749	(17,128)
Library Fund	0	263,709	(263,709)
Police Fund	309,821	316,236	(6,415)
Enterprise Fund	81,790	82,221	(431)

The Village should develop and implement procedures to properly monitor its budgetary activity as it relates to appropriations and expenditures. This would enable the Village to comply with budgetary requirements while verifying accurate financial position throughout the year and reduce the potential for overspending resources.

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

VILLAGE OF CEDARVILLE
GREENE 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	ORC § 5705.41 (D)	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF CEDARVILLE

GREENE 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
SEPTEMBER 6, 2007**