

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**



Dave Yost • Auditor of State

Village Council
Village of Elmwood Place
6118 Vine Street
Cincinnati, Ohio 45216

We have reviewed the *Independent Auditors' Report* of the Village of Elmwood Place, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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Dave Yost
Auditor of State

August 9, 2012

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**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Village Council
Village of Elmwood Place, Ohio

We have audited the accompanying financial statements of the Village of Elmwood Place, Hamilton County, Ohio, (the Village), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position 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 of the Village of Elmwood Place, Hamilton County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Bastin & Company, LLC". The signature is written in a cursive style and is centered within a light gray rectangular box.

Cincinnati, Ohio
December 23, 2011

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Property and Local Taxes	\$ 351,247	\$ 73,159	\$ -	\$ 424,406
Municipal Income Tax	236,915	-	-	236,915
Intergovernmental Revenues	124,001	375,997	-	499,998
Charges for Services	64,455	-	-	64,455
Fines, Licenses and Permits	176,413	21,232	-	197,645
Earnings on Investments	113	131	-	244
Miscellaneous	18,872	8,254	26,280	53,406
Total Cash Receipts	972,016	478,773	26,280	1,477,069
<i>Cash Disbursements:</i>				
Current:				
Security of Persons and Property	301,368	96,199	-	397,567
Leisure Time Activities	12,419	-	-	12,419
Basic Utility Service	117,353	-	-	117,353
Transportation	20,552	195,462	-	216,014
General Government	469,081	22,777	-	491,858
Capital Outlay	-	350,320	29,828	380,148
Debt Service:				
Principal Payments	8,548	382	300,000	308,930
Interest and Fiscal Charges	17,416	-	-	17,416
Total Cash Disbursements	946,737	665,140	329,828	1,941,705
Receipts Over (Under) Disbursements	25,279	(186,367)	(303,548)	(464,636)
<i>Other Financing Receipts (Disbursements):</i>				
Proceeds from Sale of Public Debt:				
Proceeds from OPWC loan	-	15,275	-	15,275
Sale of Bonds	-	-	300,000	300,000
Other Financing Sources	46,384	-	-	46,384
Other Financing Uses	(2,500)	(1,938)	-	(4,438)
Total Other Financing Receipts (Disbursements)	43,884	13,337	300,000	357,221
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	69,163	(173,030)	(3,548)	(107,415)
Fund Cash Balances, January 1, 2010	62,115	429,853	33,389	525,357
Fund Cash Balances, December 31, 2010	<u>\$ 131,278</u>	<u>\$ 256,823</u>	<u>\$ 29,841</u>	<u>\$ 417,942</u>

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

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES – AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Fiduciary Fund Type Agency</u>
<i>Non-Operating Cash Receipts:</i>	
Other Non-Operating Cash Receipts	<u>\$218,909</u>
Total Non-Operating Cash Receipts	<u>218,909</u>
<i>Non-Operating Cash Disbursements:</i>	
Other Non-Operating Cash Disbursements	<u>219,945</u>
Total Non-Operating Cash Disbursements	<u>219,945</u>
Excess of Cash Receipts Over Cash Disbursements	(1,036)
Fund Cash Balance, January 1	<u>20,100</u>
Fund Cash Balance, December 31	<u>\$ 19,064</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
<i>Cash Receipts:</i>				
Property and Local Taxes	\$ 355,647	\$ 74,282	\$ -	\$ 429,929
Municipal Income Tax	244,174	-	-	244,174
Intergovernmental Revenues	73,171	203,304	-	276,475
Charges for Services	70,844	-	-	70,844
Fines, Licenses and Permits	177,951	18,368	-	196,319
Earnings on Investments	43	113	-	156
Miscellaneous	19,099	-	25,817	44,916
Total Cash Receipts	940,929	296,067	25,817	1,262,813
<i>Cash Disbursements:</i>				
Current:				
Security of Persons and Property	367,129	142,809	-	509,938
Public Health Services	706	-	-	706
Leisure Time Activities	18,953	-	-	18,953
Basic Utility Service	71,117	-	-	71,117
Transportation	27,409	101,679	-	129,088
General Government	470,416	9,374	-	479,790
Capital Outlay	-	-	65,902	65,902
Debt Service:				
Principal Payments	35,000	-	-	35,000
Interest and Fiscal Charges	16,389	-	-	16,389
Total Cash Disbursements	1,007,119	253,862	65,902	1,326,883
Receipts Over (Under) Disbursements	(66,190)	42,205	(40,085)	(64,070)
<i>Other Financing Receipts (Disbursements):</i>				
Other Financing Sources	42,808	-	-	42,808
Total Other Financing Receipts (Disbursements)	42,808	-	-	42,808
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(23,382)	42,205	(40,085)	(21,262)
Fund Cash Balances, January 1, 2009	85,497	387,648	73,474	546,619
Fund Cash Balances, December 31, 2009	<u>\$ 62,115</u>	<u>\$ 429,853</u>	<u>\$ 33,389</u>	<u>\$ 525,357</u>

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

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES – AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Fiduciary Fund Type Agency</u>
<i>Non-Operating Cash Receipts:</i>	
Other Non-Operating Cash Receipts	<u>\$210,490</u>
Total Non-Operating Cash Receipts	<u>210,490</u>
<i>Non-Operating Cash Disbursements:</i>	
Other Non-Operating Cash Disbursements	<u>220,404</u>
Total Non-Operating Cash Disbursements	<u>220,404</u>
Excess of Cash Receipts Over Cash Disbursements	(9,914)
Fund Cash Balance, January 1	<u>30,014</u>
Fund Cash Balance, December 31	<u>\$ 20,100</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Elmwood Place, Hamilton County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected Mayor and six-member Council. The Village provides general governmental services, park operations and other leisure time activities, and police and fire 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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments, if owned by the Village, are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to 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 monies for constructing, maintaining and repairing Village streets.

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

Police Levy Fund - This fund receives property tax money to pay for the Village's expenses for police protection.

Fire Levy Fund - This fund receives property tax money to pay for the Village's expenses for fire protection.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Revitalization Fund - This fund received proceeds from the issuance of bonds in 2010, which are being used for revitalization of blighted property within the Village.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayors Court Agency Fund - This fund is used to account for the collection and distribution of Mayor's Court fines, fees and bonds.

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, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

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.

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not 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.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash pool used by all funds. The Village did not have any investments as of December 31, 2010 or 2009. The carrying amount of cash at December 31 is as follows:

	2010	2009
Demand deposits	\$ 437,006	\$ 545,457
	\$ 437,006	\$ 545,457

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

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,054,917	\$ 1,018,400	\$ (36,517)
Special Revenue	490,192	494,048	3,856
Capital Projects	300,000	326,280	26,280
Total	\$ 1,845,109	\$ 1,838,728	\$ (6,381)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 987,943	\$ 949,237	\$ 38,706
Special Revenue	919,347	667,078	252,269
Capital Projects	333,390	329,828	3,562
Total	\$ 2,240,680	\$ 1,946,143	\$ 294,537

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,220,489	\$ 983,737	\$ (236,752)
Special Revenue	448,279	296,067	(152,212)
Capital Projects	250,000	25,817	(224,183)
Total	\$ 1,918,768	\$ 1,305,621	\$ (613,147)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,215,162	\$ 1,007,119	\$ 208,043
Special Revenue	630,873	253,862	377,011
Capital Projects	323,474	65,902	257,572
Total	\$ 2,169,509	\$ 1,326,883	\$ 842,626

4. COMPLIANCE

- Contrary to Ohio Revised Code Sections 733.40 and 2949.091, distributions of Mayor's Court funds were not made within the specified time requirements.
- Contrary to Ohio Revised Code Section 1905.21, there was no documentation of Magistrate review of Mayor's Court.

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

- Contrary to various sections of Ohio Revised Code Section 2981, the Village did not properly dispose of forfeited vehicles or document applicable control policies and uses of funds related to the Law Enforcement Trust Fund.
- Contrary to Ohio Revised Code Section 5705.36, the Village's appropriations exceeded actual resources.
- Contrary to Ohio Revised Code Section 5705.41(D), the Village did not properly certify the availability of funds.
- Contrary to Federal Law 8 USC 1324a(7)(e)(3)(b)(i) IRCA, I-9 forms and additional verification information were not on file.

5. 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 make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. LOCAL EARNINGS TAX

The Village levies an earnings tax of 2 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.

7. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2010 Property Acquisition and Improvement Bonds	\$291,452	4.90%
OPWC Oak Street Improvements Loan	14,893	0.00%

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

<u>Year Ending December 31:</u>	<u>2010 Property Acquisition & Improvement Bonds</u>	<u>OPWC Oak Street Improvements</u>	<u>Amount</u>
2011	\$54,076	\$383	\$54,459
2012	56,016	764	56,780
2013	56,016	764	56,780
2014	56,016	764	56,780
2015	56,016	764	56,780
2016 - 2020	58,339	3,818	62,157
2021 - 2025	-	3,818	3,818
2026 - 2030	-	3,818	3,818
Total	<u>\$336,479</u>	<u>\$14,893</u>	<u>\$351,372</u>

During 2007 the Village issued \$400,000 of Property Acquisition and Improvement Bonds to purchase and renovate property within the Village. During 2010 the Village retired the remaining \$300,000 outstanding by issuing \$300,000 of Property Acquisition and Improvement bonds. The bonds mature on December 1, 2016, and bear an interest rate of 4.90 percent.

The Village was awarded a \$15,275 loan by the Ohio Public Works Commission on April 3, 2009, for the Oak Street improvements project. The loan requires semi-annual payments of \$382 on January 1 and July 1 of each year for 20 years, with the first principal payment beginning on January 1, 2011. The final payment is due on July 1, 2030.

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). The Village's firefighters contribute to social security. 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 2010 and 2009 OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. For 2010 and 2009 OPERS members contributed 10 percent of their gross wages. The Village contributed an amount equal to 14.0 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

9. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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

Financial Position

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

	2010	2009
Assets	\$ 34,952,010	\$ 36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	\$ 20,631,198	\$ 21,118,036

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$32,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2009	\$33,727
2010	\$34,316

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Bastin & Company, LLC

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*

The Honorable Members of Village Council
Village of Elmwood Place, Ohio

We have audited the financial statements of the Village of Elmwood Place, Hamilton County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated December 23, 2011, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes 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 *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 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings listed as findings 2010-01, 2010-02 and 2010-04 to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings listed as items 2010-03 through 2010-07.

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

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

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
December 23, 2011

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number 2010-01 – Audit Adjustments

During the course of our audit, we identified material misstatements in the financial statements for the years under audit that were not initially identified by the Village's internal control. Audit adjustments were necessary to correct errors in the Village's financial statements. A description of the adjustments follows:

Debt Service - Audit adjustments were necessary to properly classify the retirement of debt principal and interest. For 2010 and 2009, approximately \$10,500 and \$8,200 of debt principal and interest payments were reclassified from various expenditure accounts to properly reflect debt payments.

In addition, audit adjustments were necessary for 2010 to record proceeds from and debt retirement from a \$300,000 bond renewal in the Revitalization Fund.

Grant and Loan Revenues - Audit adjustments were necessary to properly classify or record grant proceeds. For 2010 and 2009, approximately \$67,000 and \$126,000 in grant proceeds were reclassified from various revenue accounts to intergovernmental revenue.

In addition, during 2010 the Village received grants and loans from the Ohio Public Works Commission and grants from Hamilton County. While these grants and loans were administered and payments were made directly to vendors by the awarding entities, the activity should be reflected as activities of the Village. Adjustments for 2010 totaling approximately \$296,000 were made to properly record these grant and loan activities.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures to ensure that amounts recorded and presented in financial statements are properly stated.

Village's Response

The Village will attempt to more closely monitor the recording of transactions in the future.

Finding Number 2010-02 – Controls over Mayor's Court Activities

Testing of procedures within the Village's Mayor's Court disclosed the following control weaknesses:

- Monthly bank reconciliations are not being performed.
- There is no reconciliation procedure in place to ensure that all issued tickets by officers are accounted for within the Mayor's Court accounting system. While police officers are required to sign out pre-numbered batches of tickets for use, testing from the population of these tickets disclosed that for 6 of 40 selections, no case or transaction information could be located within the Mayor's Court accounting system. Additional support to determine whether the issued ticket was voided or remained unused also could not be provided.

We recommend that bank reconciliations be done monthly, and that a person independent of the Court review and approve such reconciliations. In addition, we recommend that procedures be implemented to provide for an accounting of all tickets signed out to police officers and reconciled to the accounting system to demonstrate the status of all issued tickets.

Village's Response

The Village will review the current procedures of the Court and implement corrections.

Finding Number 2010-03 – Mayor's Court Compliance

Contrary to Ohio Revised Code Sections 733.40 and 2949.091, distributions of Mayor's Court funds to the Village's general operating fund were not made within the specified time requirements 83 percent of the time, and distributions of Mayor's Court funds to the State of Ohio were not made within the specified time requirements 4 percent of the time.

In addition, contrary to Ohio Revised Code Section 1905.21, there was not documentation of a Magistrate review of Mayor's Court cases in 92 percent of the dockets reviewed.

We recommend that distributions be made on a timely basis and that the Magistrate review and approve the final disposition of all cases to ensure they are properly resolved.

Village's Response

The Village will take steps to ensure distributions are made timely and will remind the Magistrate to sign all dockets after review and disposition.

Finding Number 2010-04 – Law Enforcement Trust Account

During 2010 the Village's police department established a Law Enforcement Trust Fund to account for activities related to five vehicles that had been forfeited to the Village by court order from the Hamilton County Court of Common Pleas pursuant to Ohio Revised Code Section 2981.

During October 2010, the vehicles were sold and proceeds totaling \$8,000 were deposited into a bank account established by the Village's Police Department. Through December 31, 2010 the account reflected additional receipts totaling \$131 and expenditures of \$7,434 resulting in a year end balance of \$697.

Our review of the account (follow-up procedures were applied through February 2012) disclosed the following internal control conditions:

1. Controls over the activities within this account are limited to the Village's Police Chief. The account and related activities are not recorded on the Village's accounting system or subjected to additional oversight of Village officials, such as the accounting or budgetary controls afforded to the other accounts and funds of the Village.
2. During February and March, 2011, two restaurant purchases totaling \$80 were identified by the Police Chief as being for personal use. As of February 24, 2012, the \$80 had been reimbursed to the account and the account was closed with all remaining funds being provided to the Village for deposit into the normal operating account of the Village.
3. The five vehicles obtained via forfeiture were sold by the Police Department to Mr. Brian Welage, a Village Council member on October 11, 2010. During the audit in June 2011, the Police Chief was asked for any documentation regarding an appraisal or to support that a public auction was held for the sale of these vehicles. The Chief stated there was no formal auction but did provide an undated document from a local auto parts business stating that the total bid for these vehicles were \$5,950. A bill of sale provided by the Police Chief, stated these vehicles were sold to the Village Council member for \$8,000 that agreed to the opening deposit into the account on October 28, 2010. On July 12, 2011, Mr. Welage resigned from Village Council.

Our review disclosed the following compliance citations conditions:

1. Ohio Revised Code Section 2981.12 (A) (6) (b) requires that forfeited property may be sold without appraisal at a public auction to the highest bidder. The vehicles were sold to a member of Village Council without going through a formal auction.
2. Ohio Revised Code Section 2981.13 (C) (2) (a) requires the Village to adopt a written internal control policy and requires that funds may only be expended in accordance with this policy and subject to the requirements of this section of the Ohio Revised Code. Documentation of the written internal control policy was not provided.
3. Ohio Revised Code Section 2981.13 (C) (3) (b) requires that a report is to be filed by January 31 of the next calendar year with the legislative authority of the Village verifying that the monies were expended only for purposes authorized by the Ohio Revised Code and specify the amounts expended for each authorized purpose. A written internal control policy that addresses the use of monies was not provided. Documentation of the required report was not provided.
4. Ohio Rev. Code, Section 102.03(D), states that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Mr. Welage purchased these vehicles from the Village while serving as a Village Council member. These vehicles were not obtained via a public auction. The Ohio Auditor of State will refer this matter to the Ohio Ethics Commission.

During the course of the audit, we recommended that the Village consider implementing adequate control procedures over the account to provide an independent review and approval of account activities. During February 2012, the account was closed. We further recommend that the Village take actions to comply with applicable sections of the Ohio Revised Code.

In addition, we also recommend the Village, with the assistance of its legal counsel, develop a conflict of interest policy, and require its employees and elected officials to sign an annual statement stating he/she has received a copy of the conflict of interest policy, has read and understands the policy, has agreed to comply with the policy, and disclose affiliations which may represent a potential conflict of interest. Designated Village management should review these statements to help reduce the likelihood of conflicts of interest or undisclosed related party transactions.

Village's Response

The Village was not aware of the compliance requirements applicable to this account. Based on discussions with the auditor, the account was closed and all remaining funds were transferred to the Village.

Finding Number 2010-05 – Appropriations Exceeded Actual Resources

Ohio Revised Code Section 5705.36(A)(4) requires that when it is known that actual resources will be less than currently estimated resources, and the deficiency will reduce available resources below the current level of appropriation, an amended certificate of estimated resources should be obtained to reduce estimated resources available for appropriation. The following funds had estimated resources available that exceeded actual resources available, and the deficiency reduced available resources below the current level of appropriation contrary to Ohio Revised Code Section 5705.36(A)(4):

<u>Year/Fund</u>	<u>Actual Resources Available</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2010:</i>			
Police Pension	\$6,986	\$9,532	(\$2,546)
Indigent Drivers	3,744	3,944	(200)
Law Enforcement	7	1,500	(1,493)
Computer	28,106	29,308	(1,202)
Police Levy	28,492	31,740	(3,248)
Fire Levy	51,370	55,701	(4,331)
<i>2009:</i>			
General	1,069,234	1,215,162	(145,928)
Police Pension	9,551	10,443	(892)
Indigent Drivers	4,579	5,094	(515)
Law Enforcement	2,091	3,591	(1,500)
Police Levy	36,913	39,655	(2,742)
Fire Levy	38,414	42,072	(3,658)
Revitalization	99,269	323,452	(224,183)

We recommend that management of the Village more closely monitor its budgetary compliance with the applicable sections of the Ohio Revised Code.

Village’s Response

The Village will attempt to more closely monitor its compliance with the requirements of the Ohio Revised Code in the future.

Finding Number 2010-06 – Inadequate Certification of Fund Availability

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. This certificate need be signed only by the 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.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. Blanket Certificate - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment in 30 percent of expenditures tested, nor did the Village use the aforementioned exceptions. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

Village’s Response

The Village concurs with the citation and will attempt to ensure certifications are properly performed in the future.

Finding Number 2010-07 – Incomplete I-9 Forms

Federal Law 8 USC 1324a(7)(e)(3)(b)(i) IRCA requires that I-9 forms and additional verification information shall be retained for a period of “The later of 3 years from date of hire or one year after termination and should be filed separately from other personnel records.”

Testing disclosed that I-9’s were not on file for 35 percent of cases tested where Federal requirements applied.

We recommend required I-9 forms be obtained.

Village’s Response

The Village concurs with the citation and will attempt to obtain required I-9 forms.

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2008-01	Audit adjustments	No	Adjustments were noted during current audit period. Restated as finding 2010-01
2008-02	Mayor's Court	Partially	Applicable items have been restated as finding 2010-02 and 2010-03.



Dave Yost • Auditor of State

VILLAGE OF ELMWOOD PLACE

HAMILTON 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 4, 2012