



Dave Yost • Auditor of State



VILLAGE OF FLORIDA  
HENRY COUNTY

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# Dave Yost • Auditor of State

Village of Florida  
Henry County  
111 East High Street  
Napoleon, Ohio 43545-9203

To the Members of 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 an 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 adverse 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

July 19, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Florida  
Henry County  
111 East High Street  
Napoleon, Ohio 43545-9203

To the Members of Council:

We have audited the accompanying financial statements of the Village of Florida, Henry County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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.

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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows, where applicable 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Florida, Henry County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Florida adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2012, 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.



**Dave Yost**  
Auditor of State

July 19, 2012

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$15,478	\$11,933	\$27,411
Intergovernmental	11,593	14,087	25,680
Charges for Services	945		945
Contributions and Donations	2,236		2,236
Earnings on Investments	415	127	542
Miscellaneous	419		419
<i>Total Cash Receipts</i>	<u>31,086</u>	<u>26,147</u>	<u>57,233</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	4,716	7,640	12,356
Public Health Services	944		944
Leisure Time Activities	995	562	1,557
Basic Utility Services	574		574
Transportation		5,635	5,635
General Government	22,429		22,429
<i>Total Cash Disbursements</i>	<u>29,658</u>	<u>13,837</u>	<u>43,495</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	<u>1,428</u>	<u>12,310</u>	<u>13,738</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		500	500
Transfers Out	(500)		(500)
Other Financing Sources	2,199		2,199
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,699</u>	<u>500</u>	<u>2,199</u>
<i>Net Change in Fund Cash Balances</i>	3,127	12,810	15,937
<i>Fund Cash Balances, January 1</i>	<u>(8,782)</u>	<u>66,605</u>	<u>57,823</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		79,415	79,415
Unassigned (Deficit)	<u>(5,655)</u>		<u>(5,655)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$5,655)</u></u>	<u><u>\$79,415</u></u>	<u><u>\$73,760</u></u>

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

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>			
Charges for Services	\$179,378		\$179,378
Miscellaneous	25		25
<i>Total Operating Cash Receipts</i>	<u>179,403</u>		<u>179,403</u>
<b>Operating Cash Disbursements</b>			
Personal Services	26,293		26,293
Employee Fringe Benefits	3,759		3,759
Contractual Services	63,436		63,436
Supplies and Materials	19,765		19,765
Other	214		214
<i>Total Operating Cash Disbursements</i>	<u>113,467</u>		<u>113,467</u>
<i>Operating Income</i>	<u>65,936</u>		<u>65,936</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	37,414		37,414
Principal Retirement	(34,654)		(34,654)
Interest and Other Fiscal Charges	(51,280)		(51,280)
Other Non-Operating Cash Receipts		\$15,975	15,975
Other Non-Operating Cash Disbursements		(16,887)	(16,887)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(48,520)</u>	<u>(912)</u>	<u>(49,432)</u>
<i>Net Change in Fund Cash Balances</i>	17,416	(912)	16,504
<i>Fund Cash Balances, January 1</i>	<u>266,336</u>	<u>2,251</u>	<u>268,587</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$283,752</u></u>	<u><u>\$1,339</u></u>	<u><u>\$285,091</u></u>

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

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$13,723	\$714	\$14,437
Intergovernmental	14,622	12,330	26,952
Charges for Services	550		550
Contributions and Donations	1,386		1,386
Earnings on Investments	609	147	756
Miscellaneous	681		681
	<u>31,571</u>	<u>13,191</u>	<u>44,762</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	11,696		11,696
Leisure Time Activities	1,179	468	1,647
Basic Utility Service	1,179		1,179
Transportation		1,088	1,088
General Government	27,649		27,649
Miscellaneous	308		308
	<u>42,011</u>	<u>1,556</u>	<u>43,567</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	<u>(10,440)</u>	<u>11,635</u>	<u>1,195</u>
<b>Other Financing Disbursements:</b>			
Other Financing Uses	(434)		(434)
	<u>(434)</u>		<u>(434)</u>
<i>Net Change in Fund Cash Balances</i>	(10,874)	11,635	761
<i>Fund Cash Balances, January 1</i>	2,092	54,970	57,062
	<u>2,092</u>	<u>54,970</u>	<u>57,062</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$8,782)</u>	<u>\$66,605</u>	<u>\$57,823</u>
	<u>(\$8,782)</u>	<u>\$66,605</u>	<u>\$57,823</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$79</u>	<u></u>	<u>\$79</u>

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

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$180,247		\$180,247
<b>Operating Cash Disbursements:</b>			
Personal Services	46,289		46,289
Employee Fringe Benefits	4,298		4,298
Contractual Services	18,971		18,971
Supplies and Materials	41,344		41,344
Claims	11,513		11,513
<i>Total Operating Cash Disbursements</i>	<u>122,415</u>		<u>122,415</u>
<i>Operating Income</i>	<u>57,832</u>		<u>57,832</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	34,113		34,113
Redemption of Principal	(33,252)		(33,252)
Interest and Other Fiscal Charges	(53,331)		(53,331)
Other Non-Operating Cash Receipts		\$15,759	15,759
Other Non-Operating Cash Disbursements		(13,508)	(13,508)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(52,470)</u>	<u>2,251</u>	<u>(50,219)</u>
<i>Net Change in Fund Cash Balances</i>	5,362	2,251	7,613
<i>Fund Cash Balances, January 1</i>	<u>260,974</u>		<u>260,974</u>
<i>Fund Cash Balances, December 31</i>	<u>\$266,336</u>	<u>\$2,251</u>	<u>\$268,587</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$161</u>		<u>\$161</u>

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

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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 Florida, Henry County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and park operations. The Village contracts with the Henry County Sheriff's department to provide security of persons and property. The Village contracts with Richland Township – Jewell Rescue and Flatrock Township to receive fire protection and emergency medical services.

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

**B. Accounting Basis**

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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 private-purpose 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.

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

Parks and Recreation Fund – This fund receives money from the General Fund to maintain the parks.

Emergency Medical Services Fund – This fund receives tax levy money for the purpose of providing emergency medical service for Village residents.

**3. Enterprise Funds**

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

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

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

**4. Fiduciary Funds (Agency Fund)**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Agency Fund:

Okolona Sewer Agency Fund – This fund is used to account for the collection and distribution of sewer fees collected from Okolona utility customers on behalf of the Henry County Regional Water and Sewer District.

**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 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.

VILLAGE OF FLORIDA  
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which had no effect on fund balances. At December 31, 2011, under GASB No. 54, fund balances are divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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 Deposits and Investments**

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

	2011	2010
Demand deposits	\$242,667	\$205,291
STAR Ohio	116,184	121,119
Total deposits and investments	\$358,851	\$326,410

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

**Investments:** Investments in STAR Ohio are not evidenced by securities which exist in physical or book-entry form.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,000	\$33,285	\$3,285
Special Revenue	11,500	26,647	15,147
Enterprise	190,000	216,817	26,817
Total	\$231,500	\$276,749	\$45,249

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,843	\$30,237	\$24,606
Special Revenue	29,000	13,837	15,163
Enterprise	297,691	199,562	98,129
Total	\$381,534	\$243,636	\$137,898

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,812	\$31,571	(\$241)
Special Revenue	12,135	13,191	1,056
Enterprise	243,866	214,360	(29,506)
Total	\$287,813	\$259,122	(\$28,691)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$32,124	\$42,524	(\$10,400)
Special Revenue	28,800	1,556	27,244
Enterprise	234,961	209,159	25,802
Total	\$295,885	\$253,239	\$42,646

**4. Property Tax**

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

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

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, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds Series 1981	\$65,300	1.50-2.88%
Mortgage Revenue Bonds Series 2006	983,111	5.00%
Ohio Water Development Authority Loan	172,570	4.50%
Total	<u>\$1,220,981</u>	

The Mortgage Revenue Bonds Series 1981 were issued for the construction of a municipal waterworks system. The bonds will be repaid in annual installments until 2018. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the United States Department of Agriculture (USDA) debt service requirements.

The Mortgage Revenue Bonds Series 1981 covenant requires the Village to establish and fund a debt service reserve fund, included as an Enterprise fund. The balance in the fund at December 31, 2011 is \$17,609.

The Mortgage Revenue Bonds Series 2006 were issued for the purpose of retiring an interim loan for the purpose of sanitary sewer improvements. The bonds will be repaid in semi-annual installments until 2046. The Village has agreed to set utility rates sufficient to cover the United State Department of Agriculture (USDA) debt service requirements.

The Mortgage Revenue Bonds Series 2006 covenant requires the Village to establish and fund a debt service reserve fund, included as an Enterprise fund. The balance in the fund at December 31, 2011 is \$4,636.

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project the Ohio Environmental Protection Agency mandated. The loan will be paid off in 2036.

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

Year ending December 31:	Mortgage Revenue Bonds Series 1981	Mortgage Revenue Bonds Series 2006	OWDA Loan
2012	\$12,465	\$65,252	\$8,303
2013	12,405	65,261	8,303
2014	12,425	65,259	8,304
2015	12,420	65,239	8,303
2016	12,490	65,209	8,303
2017-2021	15,485	325,932	41,515
2022-2026		325,729	41,518
2027-2031		325,488	41,513
2032-2036		145,678	41,518
2037-2041		145,558	
2042-2046		145,607	
Total	<u>\$77,690</u>	<u>\$1,740,212</u>	<u>\$207,580</u>

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**7. Risk Management**

**Risk Pool Membership**

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Risk Management (Continued)**

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	<b>2010</b>		<b>2009</b>	
	<b>OPRM</b>	<b>OPHC</b>	<b>OPRM</b>	<b>OPHC</b>
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

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

**8. Compliance**

- Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Emergency Medical Services Fund for 2011 and the General Fund, Parks and Recreation Fund, and the Storm Sewer Fund for 2010.
- Contrary to Ohio law, the Village posted appropriations exceeded the legally adopted appropriations in several funds for the years ended December 31, 2011 and 2010.
- Contrary to Ohio law, the Village’s Appropriations exceeded Estimated Resources in the General Fund, Parks and Recreation Fund, and Sewer Debt Service Fund for 2011.
- Contrary to Ohio law, the Village did not properly post homestead and rollback to the funds prescribed by law.

**VILLAGE OF FLORIDA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Compliance (Continued)**

- Contrary to Ohio law, the Village's General Fund had a negative fund balance as of December 31, 2011.
- Contrary to Ohio law, 91% of the Village's expenditures were not certified by the Fiscal Officer at the time of the commitment.
- Contrary to federal regulations, the Village did not submit a statement of budget, income, and equity to the United States Department of Agriculture (USDA) for 2011 and 2010.
- Contrary to USDA and OWDA loan agreements, the Village did not charge adequate sewer rates to meet the requirements for maintaining, repairing, and operating the system, and the retirement of debt.
- Contrary to federal regulations, the Village did not set aside the required amount in a sewer debt reserve fund as of December 31, 2011

**9. General Fund Balance**

As of December 31, 2010, the General Fund's balance was (\$8,782). The General Fund's deficit balance improved to (\$5,655) as of December 31, 2011. The fund balance deficit in the General Fund as of May 31, 2012 was (\$4,003) (the most current date available). Council plans to address this condition by reducing expenditures.

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# Dave Yost • 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 Florida  
Henry County  
111 East High Street  
Napoleon, Ohio 43545-9203

To the Members of Council:

We have audited the financial statements of the Village of Florida, Henry County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 19, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and the Village adopted GASB statement 54. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 and 2011-010 through 2011-012 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-013 described in the accompanying schedule of findings to be a significant deficiency.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-009.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 19, 2012

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



**Dave Yost**  
Auditor of State

July 19, 2012

**VILLAGE OF FLORIDA  
HENRY COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2011-001**

**Noncompliance Citation and Material Weakness**

**Ohio Revised Code, § 5705.40**, provides appropriations measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The legally adopted appropriations were different than the posted appropriations in the following funds as of December 31, 2011 and 2010:

Fund	Approved Appropriations	Posted Appropriations	Variance
<b>December 31, 2011:</b>			
General Fund	\$54,843	\$57,648	\$2,805
Street Construction, Maintenance, and Repair Fund	26,500	29,500	3,000
Emergency Medical Services Fund		9,634	9,634
Water Operating Fund	125,629	168,046	42,417
Sewer Operating Fund	143,062	153,002	9,940
Water Debt Service Fund	6,000	11,210	5,210
Sewer Debt Service Fund	10,000		(10,000)
<b>December 31, 2010:</b>			
General Fund	32,124	58,249	26,125
Street Construction, Maintenance, and Repair Fund	28,800	29,000	200
Permissive Motor Vehicle Tax Fund		830	830
Water Operating Fund	126,511	189,590	63,079
Sewer Operating Fund	108,450	164,563	56,113
Storm Sewer Fund		5,170	5,170
Water Debt Service Fund		6,000	6,000

The budgetary disclosures have been adjusted to reflect the Council approved appropriations.

We recommend the Fiscal Officer only post appropriation measures which have been formally adopted by the Council in minute records and certified by the County Auditor. We also recommend the Village develop procedures to ensure proper posting to the accounting system and financial statements. Additionally, should the Village need to amend or supplement its original appropriation measure; it should review the applicable Revised Code section and work with its legal counsel to ensure compliance with all appropriate law.

**FINDING NUMBER 2011-002**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.10**, states all money paid into any fund shall be used only for the purpose for which such fund is established. Furthermore, this code section requires 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.

The General Fund had a negative fund balance of \$5,655 at December 31, 2011, which is indicative of monies from one fund or funds being used to pay the expenditures of General Fund.

In addition, the Village received Homestead and Rollback payments from the State and did not correctly post these payments to the General Fund in 2010 and to the Emergency Medical Services Fund in 2011. The following audit adjustment was made to the Village's financial statements and accounting records:

Fund	Year	From	To
Street Construction, Maintenance, and Repair Fund	2010	\$1,499	
State Highway Fund	2010	122	
General Fund	2010		\$1,621
General Fund	2011	1,186	
Emergency Medical Services Fund	2011		1,186

Financial activity should be properly reported in the accounting ledgers so management can better assess whether or not financial goals are being met on an ongoing basis. As part of the monitoring process, we recommend:

1. Management review its records to make sure all amounts are properly reflected in the appropriate funds.
2. Council monitor the fund balances closely throughout the year and restrict expenditures when necessary.
3. Council approve a fund transfer from fund(s) with more abundant resources provided officials comply with the provisions of Ohio Revised Code §§ 5705.14, 5705.15, and 5705.16 in order to cover funds with negative fund balances.
4. Management officials refer to Auditor of State Bulletin 97-003 for further guidance, if advances are deemed necessary. In addition, if advances are made, they should be made only under the express authority of Council and be made between funds in which the purpose of the fund advancing cash is consistent with the purpose of the fund receiving the money.
5. Financial activity be properly reported in the accounting ledgers so management can better assess whether or not financial goals are being met on an ongoing basis.
6. As part of the monitoring process, management officials review its records to make sure all amounts are properly reflected in the appropriate funds and sufficient funds are available to pay obligations.

## FINDING NUMBER 2011-003

### Noncompliance Citation

**Ohio Revised Code, § 5705.41(D)(1)**, states 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 the amount required for the order or contract 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. Every such 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 requirement stated above where 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, each of 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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Council can authorize the drawing of a warrant for the payment of the amount due. The Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts 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 the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Council.
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 Council 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 may, but need not, be limited to a specific vendor. 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.

Ninety-one percent of the transactions tested were not certified by the Fiscal Officer at the time the commitments were incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure 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 the Fiscal Officer certify the 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.

**FINDING NUMBER 2011-003  
(Continued)**

We recommend the Village certify purchases to which Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders which include the certification language Ohio Revised Code § 5705.41(D) requires for authorizing disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2011-004**

**Noncompliance Citation**

**United State Department of Agriculture (USDA) 2006 Loan Agreement § 12** requires the Village to monthly set aside and deposit into a sewer system reserve fund the sum of \$257 until \$30,863 is accumulated, after which no further deposits need be made into such fund except to replace withdrawals. As of December 31, 2011 the Village contributed \$4,636 into the Sewer Debt Service Fund which is \$10,795 less than the required balance according to the debt agreement. This may result in the Village being in violation of a debt covenant.

We recommend Council approve a transfer of \$10,795 to the Sewer Debt Reserve Fund from the Sewer Operating Fund and to make monthly transfers of \$257 into the reserve until \$30,863 is accumulated.

**FINDING NUMBER 2011-005**

**Noncompliance Citation**

**7 CFR Part 1780.47(f)(2)** requires the Village to submit, among other things, a Statement of Budget, Income, and Equity to the United States Department of Agriculture (USDA) prior to the beginning of each fiscal year.

There was no evidence the Village submitted any of the documents required by 7 CFR Part 1780.47(f)(2) to the USDA for 2011 or 2010.

We recommend the Village submit a budget to USDA annually.

**FINDING NUMBER 2011-006**

**Noncompliance Citation**

**United State Department of Agriculture (USDA) 2006 Loan Agreement § 8** states the rates the Village prescribes and charges for sewer system shall take into consideration the costs of maintaining, repairing, and operating the system and the amounts necessary for the retirement of debt.

The Village's required debt payments owed to the USDA exceeded the operating revenue by \$3,422 in the Village's Sewer Operating Fund for 2011. This is an indicator the Village is not charging customers enough to meet its operating expenses and debt payments. This may result in an inability to make future debt payments

We recommend the Village review its utility rates and operating expenses and take appropriate actions to increase operating income in the Sewer Operating Fund to avoid sanctions being imposed on the Village by the USDA.

**FINDING NUMBER 2011-007**

**Noncompliance Citation**

**Ohio Water Development Authority (OWDA) Loan Agreement 4262 § 4.3 (a)** states the Village shall prescribe and charge such rates for services of the system as shall result in pledged revenues at least adequate to provide for the debt payments.

The Village's required debt payments owed to the OWDA exceeded the operating revenue by \$3,422 in the Village's Sewer Operating Fund for 2011. This is an indicator the Village is not charging customers enough to meet its operating expenses and debt payments. This may result in an inability to make future debt payments

We recommend the Village review its utility rates and operating expenses and take appropriate actions to increase operating income in the Sewer Operating Fund to avoid sanctions being imposed on the Village by the OWDA.

**FINDING NUMBER 2011-008**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.39**, provides appropriations from each fund should not exceed the estimated revenue available for expenditure from the fund as certified by the budget commission in the certificate of estimated resources. Furthermore, no appropriation measure is to become effective until the County Auditor files a certificate with the subdivision which states the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village's appropriations exceeded estimated resources in the following funds as of December 31, 2011:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$36,182	\$54,764	\$(18,582)
Parks and Recreation Fund	62	2,500	(2,438)
Sewer Debt Service Fund	4,636	10,000	(5,364)

Total appropriations in excess of total available resources may result in deficit spending. The Fiscal Officer should regularly compare appropriations to the total available resources for expenditure from each fund and submit the necessary modifications to Council for approval. In addition, the Fiscal Officer should make sure annual appropriations and all subsequent modifications have been certified by the County Auditor by the end of each fiscal year so each respective measure has been made effective.

**FINDING NUMBER 2011-009**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.41(B)**, states no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Expenditures exceeded appropriations in the following funds at December 31, 2011 and 2010:

**FINDING NUMBER 2011-009  
 (Continued)**

Fund	Appropriations	Expenditures	Variance
December 31, 2011:			
Emergency Medical Services Fund		\$7,640	\$(7,640)
December 31, 2010:			
General Fund	\$32,124	42,524	(10,400)
Parks and Recreation Fund		468	(468)
Storm Sewer Fund		2,870	(2,870)

Failure to pass and amend appropriation measures, which serves as a tool by which expenditures can be monitored could result in overspending. The Village should obtain a certificate for appropriations from the County Auditor as required so expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to established appropriation limitations. In addition, appropriations should be increased as needed, and if necessary, the corresponding estimated resources should be amended.

**FINDING NUMBER 2011-010**

**Material Weakness**

**Cash Reconciliations**

Prior to closing out the general ledger records each month, the bank account balances should be reconciled to the general ledger fund balances. This procedure is an important method of detecting errors in the general ledger postings and bank account records. After this procedure is completed, any errors found should be immediately corrected, general ledger records closed, and month end financial information generated by the Fiscal Officer's office.

The Village had several unexplained adjusting factors in order to reconcile the Henry County Bank account to the book balance each month during the audit period. This caused errors to go undetected by the Village and resulted in the December 31, 2011 book balance to be overstated by \$1,177. We also noted the outstanding check lists were incorrect at year end and throughout the audit period. This has the potential to cause material unreconciled differences to occur without detection by management. The financial statements have been adjusted to reflect these errors.

We recommend the Fiscal Officer present evidence to Council to prove all the bank account balances have been reconciled to the general ledger fund balance without adjusting factors on the reconciliation. In addition, the Audit Committee should periodically verify items appearing on the monthly bank reconciliation, including, but not limited, to authentication of outstanding checks and deposits in transit.

**FINDING NUMBER 2011-011**

**Material Weakness**

**Monitoring of Financial Activity**

Inaccurate posting of transactions impedes the ability of the Council to accurately assess the financial status of the Village. We noted examples such as the following during our audit:

**FINDING NUMBER 2011-011  
 (Continued)**

- Unsupported fund balance adjustments were made to the financial statements resulting in the General Fund, Water Operating Fund, and the Sewer Debt Service Fund beginning balances being overstated by \$2,102, \$4,610, and 27,804, respectively, in 2011. The Sewer Operating Fund and the Water Debt Service Fund beginning balances were understated by \$27,804 and \$5,202, respectively, in 2011. Furthermore, the 2010 General Fund beginning balance was understated by \$1,910.
- Miscellaneous receipts were overstated by \$5,038 in the Water Operating Fund due to a bank transfer which was incorrectly posted as a miscellaneous receipt in 2011.
- Special Assessment receipts of \$16,604 were incorrectly posted to the General Fund rather than the Sewer Operating Fund in 2010.
- Debt Principal and Interest payments of \$4,897 were incorrectly posted to the Water Operating Fund rather than the Sewer Operating Fund in 2010.

As a result, the financial statements did not correctly reflect the financial activity of the Village. Adjustments ranging from \$30 to \$36,960 were posted to the financial statements, and where applicable, accounting records to correct these and other errors.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Village Handbook issued by the Auditor of State. Further, Council should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Council to ensure errors and omissions are detected and corrected. The review and approval of these reports should be documented in the minutes and on the actual documents.

**FINDING NUMBER 2011-012**

**Material Weakness**

**Estimated Resources**

Estimated resources reported on the accounting system differed from amounts approved by the Council and submitted to the County Budget Commission.

The following variances in estimated resources were noted during the audit period:

Funds	Approved Estimated Receipts	Posted Estimated Receipts	Variance
December 31, 2011:			
General Fund	\$30,000	\$58	\$(29,942)
Street Construction, Maintenance, and Repair Fund	10,000		(10,000)
State Highway Fund	800		(800)
Parks and Recreation Fund		500	500
Permissive Motor Vehicle License Tax Fund	700		(700)
Water Operating Fund	95,000	86,923	(8,077)
Sewer Operating Fund	95,000		(95,000)
December 31, 2010:			
General Fund	31,812	39,311	7,499

**FINDING NUMBER 2011-012  
 (Continued)**

Funds	Approved Estimated Receipts	Posted Estimated Receipts	Variance
December 31, 2011:			
Street Construction, Maintenance, and Repair Fund	10,100	13,600	3,500
State Highway Fund	810	1,110	300
Sewer Operating Fund	108,847	140,848	32,001
Sewer Debt Service Fund	9,272		(9,272)

Failure to accurately reflect budgetary figures in the accounting records could result in management basing their decisions on inaccurate information and could possibly result in deficit spending. We recommend the estimated resources posted be based on amounts certified by the County Budget Commission. We also recommend the Village develop procedures to ensure proper posting to the accounting system and financial statements.

The budgetary disclosures have been adjusted to reflect the lack of County Budget Commission certified estimated resources.

**FINDING NUMBER 2011-013**

**Significant Deficiency**

**Utility System Controls**

- There was a lack of segregation of duties for utility collections since the Fiscal Officer prepared monthly billings, collected utility revenues, posted customer accounts, made credits to utility accounts, deposited utility revenues, and posted the receipts to the accounting system.
- Monthly Payment/Credit Recap reports per the utility computer system were not reconciled monthly with the revenues per the Uniform Accounting System (UAN) in 2011 or 2010.
- Adjustments made to utility customer accounts were not always investigated and/or approved by the Board of Public Affairs (BPA).
- There was no evidence the BPA reviewed monthly delinquent account reports.
- Okolona Sewer Collections of \$978 were posted to the Water Operating Fund rather than the Okolona Sewer Agency Fund in 2010. This helped contribute to the Henry County Regional Water and Sewer District being under remitted a total of \$1,339 as of December 31, 2011.

A lack of segregation of duties and adequate monitoring could lead to errors and irregularities occurring without adequate detection. In order to help strengthen utility controls we recommend:

- The BPA review and approve any credits made to the customer accounts and review billings to ensure the correct rates were billed.
- The Fiscal Officer reconcile the collections per the utility system to the UAN system. The audit committee should review the reconciliations to ensure the utility collections have been properly deposited and posted.

**FINDING NUMBER 2011-013  
(Continued)**

- The BPA review the Utility Adjustment Edit Register and investigate and approve any adjustments made to a customer's account.
- The BPA review monthly delinquent account reports and determine whether any action is required.
- The BPA review the monthly financial report to ensure the correct amount is posted to the Okolona Sewer Agency Fund and the correct amount is remitted to the Henry County Water and Sewer District.

Furthermore, the Village should remit \$1,339 to the Henry County Regional Water and Sewer District to correct past underpayments.

**Officials' Response:**

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

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**VILLAGE OF FLORIDA  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Finding for Recovery Repaid Under Audit	Yes	
2009-002	7 CFR Part 1780.47(f)(2) for not submitting a budget to USDA	No	Not Corrected. Repeated as Finding 2011-005 in this report.
2009-003	Section 12 of the 1982 USDA Loan Agreement due to operating expenses exceeded revenue in the Water Operating Fund	Yes	
2009-004	Ohio Revised Code § 5705.10 for not properly posting Homestead and Rollback payments	No	Not Corrected. Repeated as Finding 2011-002 in this report.
2009-005	Ohio Revised Code Sections 5705.38, 5705.40, and 5705.41(B) for failure to pass an appropriation measure	No	Partially Corrected. Repeated as Findings 2011-001 and 2011-009 in this report.
2009-006	Ohio Revised Code § 5705.36 for not certifying amounts available to the County Auditor	Yes	
2009-007	Material weakness regarding the monitoring of financial statements	No	Not Corrected. Repeated as Finding 2011-011 in this report.
2009-008	Material weakness regarding the reconciliation of bank accounts	No	Not Corrected. Repeated as Finding 2011-010 in this report.

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# Dave Yost • Auditor of State

VILLAGE OF FLORIDA

HENRY 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  
AUGUST 07, 2012