



Dave Yost • Auditor of State

VILLAGE OF CEDARVILLE
GREENE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Cedarville
Greene County
152 W. Cedar Street
PO Box 51
Cedarville, Ohio 45314

To the Mayor and the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Cedarville, Greene County, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Cedarville, Greene County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Cedarville adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 23, 2013

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$87,891			\$87,891
Municipal Income Tax	527,894			527,894
Intergovernmental	57,622	\$58,589	\$238,082	354,293
Inheritance Tax	2,888			2,888
Charges for Services	260			260
Fines, Licenses and Permits	1,732			1,732
Earnings on Investments	3,029	132		3,161
Miscellaneous Revenue	48,677	2,693		51,370
Total Cash Receipts	<u>729,993</u>	<u>61,414</u>	<u>238,082</u>	<u>1,029,489</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	379,605			379,605
Public Health Services	2,366			2,366
Leisure Time Activities	23,402			23,402
Community Environment	7,238			7,238
Transportation	25,000	65,607	238,082	328,689
General Government	333,727			333,727
Capital Outlay	22,990			22,990
Total Cash Disbursements	<u>794,328</u>	<u>65,607</u>	<u>238,082</u>	<u>1,098,017</u>
Excess of Receipts Over (Under) Disbursements	<u>(64,335)</u>	<u>(4,193)</u>		<u>(68,528)</u>
Other Financing Receipts (Disbursements):				
Sale of Capital Assets	76,230			76,230
Transfers In		14,000		14,000
Transfers Out	(14,000)			(14,000)
Total Other Financing Receipts (Disbursements)	<u>62,230</u>	<u>14,000</u>		<u>76,230</u>
Net Change in Fund Cash Balances	(2,105)	9,807		7,702
Fund Cash Balances, January 1	<u>368,816</u>	<u>121,471</u>		<u>490,287</u>
Fund Cash Balances, December 31:				
Non-spendable				
Restricted		131,278		131,278
Committed	88,338			88,338
Assigned				
Unassigned (Deficit)	278,373			278,373
Fund Cash Balances, December 31	<u>\$366,711</u>	<u>\$131,278</u>	<u>\$0</u>	<u>\$497,989</u>

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

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$128,814
Miscellaneous	2,217
Total Operating Cash Receipts	<u>131,031</u>
Operating Cash Disbursements:	
Personal Services	19,820
Employee Fringe Benefits	3,406
Contractual Services	98,561
Supplies and Materials	2,942
Total Operating Cash Disbursements	<u>124,729</u>
Operating Income (Loss)	<u>6,302</u>
Net Change in Fund Cash Balances	6,302
Fund Cash Balances, January 1	<u>41,412</u>
Fund Cash Balances, December 31	<u><u>\$47,714</u></u>

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

**VILLAGE OF CEDARVILLE
GREENE 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>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$68,293			\$68,293
Municipal Income Tax	521,345			521,345
Intergovernmental	138,649	\$61,576	\$49,425	249,650
Inheritance Tax	68,000			68,000
Charges for Services	280			280
Fines, Licenses and Permits	1,631			1,631
Earnings on Investments	894	224		1,118
Miscellaneous Revenue	79,967	416		80,383
Total Cash Receipts	<u>879,059</u>	<u>62,216</u>	<u>49,425</u>	<u>990,700</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	367,761			367,761
Public Health Services	2,647			2,647
Leisure Time Activities	22,285			22,285
Community Environment	8,011			8,011
Basic Utility Services	322			322
Transportation	30,320	67,114	49,425	146,859
General Government	339,742			339,742
Capital Outlay	7,054			7,054
Total Cash Disbursements	<u>778,142</u>	<u>67,114</u>	<u>49,425</u>	<u>894,681</u>
Excess of Receipts Over (Under) Disbursements	<u>100,917</u>	<u>(4,898)</u>		<u>96,019</u>
Other Financing Receipts (Disbursements):				
Transfers In		10,000		10,000
Transfers Out	(10,000)			(10,000)
Total Other Financing Receipts (Disbursements)	<u>(10,000)</u>	<u>10,000</u>		
Net Change in Fund Cash Balances	90,917	5,102		96,019
Fund Cash Balances, January 1 (Restated)	<u>277,899</u>	<u>116,369</u>		<u>394,268</u>
Fund Cash Balances, December 31:				
Non-spendable				
Restricted		121,471		121,471
Committed	84,380			84,380
Assigned				
Unassigned (Deficit)	284,436			284,436
Fund Cash Balances, December 31	<u>\$368,816</u>	<u>\$121,471</u>	<u>\$0</u>	<u>\$490,287</u>

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

VILLAGE OF CEDARVILLE
GREENE COUNTY

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>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$128,354
Miscellaneous	11
Total Operating Cash Receipts	<u>128,365</u>
Operating Cash Disbursements:	
Personal Services	19,383
Employee Fringe Benefits	3,218
Contractual Services	98,506
Supplies and Materials	2,761
Total Operating Cash Disbursements	<u>123,868</u>
Operating Income (Loss)	<u>4,497</u>
Net Change in Fund Cash Balances	4,497
Fund Cash Balances, January 1	<u>36,915</u>
Fund Cash Balances, December 31	<u><u>\$41,412</u></u>

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

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Cedarville, Greene County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides park operations and police services. The Village contracts with Rumpke to provide refuse service.

The Village participates in the Public Entity Risk Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. Note 8 to the financial statements provides additional information for this entity.

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.

The Village values U.S. Treasury Notes and Bonds at cost. Money market mutual funds 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:

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highways within the Village.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Ohio Public Works Commission (OPWC) Grant Construction Fund – This fund records all activity for the Ohio Public Works Commission (OPWC) grant. The OPWC grant is used to pay for various construction projects in the Village.

4. 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 Enterprise Fund:

Refuse Fund - This fund receives charges for services from residents to cover refuse collection costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund 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.

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 re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is 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. Non-spendable

The Village classifies assets as *non-spendable* 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.

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.

H. 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.

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND EQUITY

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance at December 31, 2010
General	\$199,068	\$78,831	\$277,899
Special Revenue	195,200	(78,831)	116,369

3. 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:

	2012	2011
Demand deposits	\$460,698	\$241,816
Money market account deposits	85,005	84,989
Total Deposits	545,703	326,805
Merrill Lynch Investment		204,894
Total deposits and investments	<u>\$545,703</u>	<u>\$531,699</u>

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

Investments: A financial institution's trust department held the Village's equity securities in book entry form in the Village's name. The Merrill Lynch investment account was closed during 2012.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,359,695	\$806,223	(\$553,472)
Special Revenue	71,810	75,414	3,604
Capital Projects	238,082	238,082	
Enterprise	130,240	131,031	791
Total	<u>\$1,799,827</u>	<u>\$1,250,750</u>	<u>(\$549,077)</u>

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. BUDGETARY ACTIVITY

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,753,511	\$ 869,637	\$ 883,874
Special Revenue	168,281	67,853	100,428
Capital Projects	238,082	238,082	
Enterprise	171,652	133,557	38,095
Total	<u>\$2,331,526</u>	<u>\$1,309,129</u>	<u>\$1,022,397</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,493,448	\$ 879,059	(\$614,389)
Special Revenue	163,573	72,216	(91,357)
Capital Projects	49,425	49,425	
Enterprise	164,147	128,365	(35,782)
Total	<u>\$1,870,593</u>	<u>\$1,129,065</u>	<u>(\$741,528)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,506,235	\$ 827,361	\$678,874
Special Revenue	163,573	69,656	93,917
Capital Projects	49,425	49,425	
Enterprise	164,147	134,336	29,811
Total	<u>\$1,883,380</u>	<u>\$1,080,778</u>	<u>\$802,602</u>

5. 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 CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. RETIREMENT SYSTEMS

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 14% of full-time police members' wages. For 2012 and 2011, 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, 2012.

8. RISK MANAGEMENT

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the 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.

A. 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, 2012, PEP retained \$350,000 for casualty claims and \$150,000 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.

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. RISK MANAGEMENT (Continued)

B. Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available)

	2012	2011
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	\$20,181,216	\$19,175,131

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Villages share of these unpaid claims collectible in future years is approximately \$12,000.

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	
2012	2011
\$13,600	\$17,367

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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.

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Dave Yost • Auditor of State

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

Village of Cedarville
Greene County
152 W. Cedar Street
PO Box 51
Cedarville, Ohio 45314

To the Mayor and the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Cedarville, Greene County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 23, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted that the Village adopted provisions of Government Accounting Standards Board Statement No. 54 for the year ended December 31, 2011.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 2012-002 described in the accompanying schedule of findings to be a material weakness.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 23, 2013

VILLAGE OF CEDARVILLE
GREENE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision 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 fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 Village failed to properly certify seven out of sixty (11.7%) expenditures tested.

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 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, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification may be used, if applicable.

The Village should implement procedures to verify that all transactions are properly encumbered and certified to prevent unnecessary and unauthorized expenditures.

FINDING NUMBER 2012-002

MATERIAL WEAKNESS

The Village presented its 2012 and 2011 financial statements on an accounting basis that the Auditor of State prescribes or permits. For the year ended December 31, 2011, the Village adopted provisions of Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Following material errors were noted in the financial statements that required audit adjustments to properly present the financial activity of the Village on accompanying financial statements:

The Village improperly classified several line items during 2011 and 2012. Improperly posted items include:

1. During 2012 and 2011 intergovernmental revenues in the amount \$238,082 and \$49,425 respectively were improperly posted as miscellaneous revenues in the Capital Projects Fund.
2. During 2012, the Village recorded miscellaneous revenue and extraordinary item expense in the amount of \$206,007 in the General Fund for closing the investment account with Merrill Lynch and transferring the balance to the Village's checking account. Opening and closing of bank accounts do not result in revenues or expenditures for the Village and should not be reported on the annual financial reports.
3. Paragraph 31 of Government Accounting Standards Board (GASB) Statement No 54 states that the restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources. Charges for services were of 6.5% and 2.7% of total revenues for 2011 and 2012, respectively, in the Park and Recreation Fund, while the remaining receipts comprised of transfers-in from the general fund. Similarly, property and other local taxes, intergovernmental revenue, fines license and permits and miscellaneous revenues were of 6.2% and 4.8% of Police fund revenues during 2011 and 2012. The Police Construction fund did not have any activity during 2011 or 2012 and the fund balance entirely consisted of transfers from the general fund from previous years. Since substantial portions of the revenues in Park and Recreation, Police and Police construction funds consisted of transfers from general fund, with the implementation of GASB 54, the Village should report these funds under the general fund.

The following errors noted in 2012 and 2011 financial statements were determined to be immaterial and did not require audit adjustments:

Fiscal Year 2012:

1. Special Assessments received from the Greene County in the amount of \$2,167 were improperly classified as Miscellaneous Revenue instead of charges for services in the Enterprise Fund.
2. Intergovernmental Revenue in the amount of \$26,152 was improperly classified as Property and Other Local Taxes in the General Fund.
3. Intergovernmental Revenue in the amount \$955 and Miscellaneous Revenues in the amount of \$250 were improperly classified as Property and Other Local Taxes in the Special Revenue Fund. Due to implementation of GASB 54, the Special Revenue fund has been presented as general fund on the accompanying financial statements.
4. Property and other local taxes in the amount of \$2,503 was improperly classified as Interest Revenue in the General Fund.

**FINDING NUMBER 2012-002
(Continued)**

5. \$197 in property and other local taxes and \$48 in Intergovernmental Revenues were improperly posted as Miscellaneous Revenue in the Special Revenue Funds. Due to implementation of GASB 54, the Special Revenue fund has been presented as general fund on the accompanying financial statements.
6. The Sale of Assets in the amount of \$3,810 was improperly posted as Miscellaneous Revenue in the General Fund.
7. \$21,140 received for cable franchise fees should be reported as license permits and fees instead of miscellaneous revenues in the General Fund.
8. Paragraph 15 of the Government Accounting Standards Board (GASB) statement number 54 requires fund balance to be reported as assigned if the intended use of portion of the general fund balance is for specific purpose that is narrower than the general purposes of government itself. The intended use of outstanding encumbrances is narrower than the general government itself and they should be reported as assigned fund balance. The Village reported \$20,843 in outstanding general fund encumbrances as unassigned fund balance instead of assigned.

Fiscal Year 2011:

1. Special Assessments levied for delinquent trash collections received from the Greene County in the amount of \$1,135 were improperly classified as Miscellaneous Revenue in the general fund. These receipts should have been recorded in the Enterprise Fund.
2. Intergovernmental Revenue in the amount of \$8,815 was improperly classified as Property and Other Local Taxes in the General Fund.
3. Intergovernmental Revenue in the amount of \$1,092 was improperly classified as Property and Other Local Taxes in the Special Revenue Funds. Due to implementation of GASB 54, the Special Revenue fund has been presented as general fund on the accompanying financial statements.
4. Property and other local taxes in the amount of \$6,209 were improperly posted as Miscellaneous Revenues in the General Fund.
5. The Village received \$20,597 from OPWC. The receipt was posted to Capital Projects along with a memo expenditure. The same receipt was also posted to the General fund. The General fund had made the actual expenditures and the general fund was reimbursed by the capital projects fund instead of booking miscellaneous revenue
6. Property and other local taxes in the amount of \$557 were improperly posted as Miscellaneous Revenues in the Special Revenue Funds. Due to implementation of GASB 54, the Special Revenue fund has been presented as general fund on the accompanying financial statements.
7. \$12,312 received for cable franchise fees should be reported as license permits and fees instead of miscellaneous revenues in the General Fund.
8. Paragraph 15 of the Government Accounting Standards Board (GASB) statement number 54 requires fund balance to be reported as assigned if the intended use of portion of the general fund balance is for specific purpose that is narrower than the general purposes of government itself. The intended use of outstanding encumbrances is narrower than the general government itself and they should be reported as assigned fund balance. The Village reported \$27,639 in outstanding general fund encumbrances as unassigned fund balance instead of assigned.

Policies and procedures should be established and implemented to verify that financial transactions are posted to the correct account and line item. Additionally, the Village should establish and implement policies and procedures to verify that all new reporting requirements are properly incorporated in the financial statements. Failure to do so could result in material misstatements on the financial statements.

Official's Response:

I have reviewed the findings and agree to work at correcting the non-compliance findings and to work on material weakness items.

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Failure to properly certify the availability of funds	No	Repeated as finding 2012-001
2010-002	Ohio Rev. Code Section 5705.36(A)(4) obtaining amended certificate of estimated resources.	Yes	
2010-003	Ohio Rev. Code Section 5705.41(B) – Budgetary expenditures exceeded appropriations.	Yes	



Dave Yost • Auditor of State

VILLAGE OF CEDARVILLE

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 26, 2013**