



Dave Yost • Auditor of State



VILLAGE OF CAIRO  
ALLEN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Cairo, Allen County, (the Village) as of and for the year ended December 31, 2013.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 opinions.

***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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2013, or changes in financial position or cash flows thereof for the year 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 the Village of Cairo, Allen County as of December 31, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Matters***

Our audit was conducted to opine on the financial statements taken as a whole. The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 19, 2016

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**VILLAGE OF CAIRO  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$27,090		\$27,090
Municipal Income Tax	41,515		41,515
Intergovernmental	19,559	\$25,665	45,224
Charges for Services	6,765		6,765
Fines, Licenses and Permits	1,482		1,482
Earnings on Investments	37	14	51
Miscellaneous	41,536		41,536
Total Cash Receipts	<u>137,984</u>	<u>25,679</u>	<u>163,663</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	15,224		15,224
Public Health Services	600		600
Leisure Time Activities	8,790		8,790
Community Environment	3,001		3,001
Transportation		42,852	42,852
General Government	79,205		79,205
Capital Outlay	20,409		20,409
Interest and Fiscal Charges	8,063		8,063
Total Cash Disbursements	<u>135,292</u>	<u>42,852</u>	<u>178,144</u>
Excess of Receipts Over (Under) Disbursements	<u>2,692</u>	<u>(17,173)</u>	<u>(14,481)</u>
Fund Cash Balances, January 1	<u>131,677</u>	<u>52,768</u>	<u>184,445</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		35,595	35,595
Assigned	12,432		12,432
Unassigned	121,937		121,937
Fund Cash Balances, December 31	<u>\$134,369</u>	<u>\$35,595</u>	<u>\$169,964</u>

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

VILLAGE OF CAIRO  
ALLEN COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**Operating Cash Receipts:**

Charges for Services	\$1,200
Total Operating Cash Receipts	<u>1,200</u>

**Operating Cash Disbursements:**

Contractual Services	4,198
Total Operating Cash Disbursements	<u>4,198</u>

Operating (Loss)	<u>(2,998)</u>
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**Non-Operating Receipts (Disbursements):**

Property and Other Local Taxes	2,000
Intergovernmental	1,345,116
Special Assessments	92,945
Sale of Bonds	1,619,000
Other Debt Proceeds	1,658,276
Capital Outlay	(2,660,957)
Principal Retirement	(1,758,345)
Interest and Other Fiscal Charges	(33,037)
Total Non-Operating Receipts (Disbursements)	<u>264,998</u>

Net Change in Fund Cash Balances	262,000
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Fund Cash Balances, January 1	<u>56,353</u>
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Fund Cash Balances, December 31	<u><u>\$318,353</u></u>
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*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Cairo, Allen County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including street lighting, and park and recreation center operations (leisure time activities). Water and sewer services are obtained from the City of Lima. The Village contracts with Monroe Township to receive fire protection services and contracts with a private individual for police protection.

The Village participates in a jointly governed organization. Note 9 to the financial statements provides additional information for this entity. This organization is the Lima–Allen County Regional Planning Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits**

The Village maintains all funds in a demand account.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

VILLAGE OF CAIRO  
ALLEN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. **Enterprise Fund**

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

**Enterprise Improvement Fund** - This fund receives grants and loans for improvements to the Village water and sewer systems.

E. **Budgetary Process**

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

1. **Appropriations**

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

2. **Estimated Resources**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

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.

VILLAGE OF CAIRO  
ALLEN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED DEPOSITS

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

Demand deposits	\$488,317
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**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2013 follows:

<b>2013 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$101,092	\$137,984	\$36,892
Special Revenue	27,391	25,679	(1,712)
Enterprise	4,976,000	4,718,537	(257,463)
Total	\$5,104,483	\$4,882,200	(\$222,283)

<b>2013 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$197,529	\$135,292	\$62,237
Special Revenue	68,312	42,852	25,460
Enterprise	4,980,598	4,456,537	524,061
Total	\$5,246,439	\$4,634,681	\$611,758

**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.

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1/2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Income tax receipts are allocated to the General Fund. In 2013 Council passed a resolution to allocate \$2,000 for one year to the Enterprise Improvement Fund.

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC - Loan - 1996 #CM008	\$69,850	0.00%
OPWC - Loan - 2013 #CT67P	7,234	0.00%
USDA - Revenue Bond - Sewer 1998	553,000	4.75%
USDA - Revenue Bond - Water 2013	1,619,000	2.75%
Total	<u>\$2,249,084</u>	

The Ohio Public Works Commission (OPWC) loan #CM008, entered into on July 1, 1996 in the amount of \$254,000 at 0% interest, for improvement to the sewer system. The loan will be repaid in semiannual installment of \$6,350, over 20 years with the final maturity scheduled for January 1, 2019. The loan is collateralized by a sewer rate surcharge. The Village has agreed to set sewer rates sufficient to cover debt service requirements.

The Ohio Public Works Commission (OPWC) loan #CT67P, entered into on June 10, 2013 in the amount of \$7,234 at 0% interest, for improvements to the water system. The loan will be repaid with water system receipts.

The United States Department of Agricultural (USDA) revenue bonds relates to a sewer project. The USDA mortgage revenue bonds were issued on November 13, 1998, in the amount of \$661,000 at 4.75% interest. These bonds will be repaid in annual installments of principal and interest payments over 40 years with final maturity scheduled for 2038. The Village has agreed to set sewer rates sufficient to cover debt service requirements. The sanitary sewer system revenue bond covenant requires the Village to establish and fund a debt service reserve fund. The balance in the fund at December 31, 2013 is \$42,185.

The United States Department of Agricultural (USDA) revenue bonds relates to a water project. The USDA mortgage revenue bonds were issued on September 30, 2013, in the amount of \$1,619,000 at 2.75% interest, for the purpose of retiring an interim loan in the amount of \$1,619,000 received in 2013 incurred for the purpose of paying part of the cost of certain water system improvements. These bonds will be repaid in annual installment of principal and interest payments over 40 years with final maturity scheduled for 2053. The Village has agreed to set water rates sufficient to cover debt service requirements.

An Ohio Water Development Authority Loan was approved in 2011 for the total amount of \$115,645. A final amount of \$32,042 was received in 2013. This loan was fully paid in 2013.

<u>Year ending December 31:</u>	<u>OPWC Loan #CM008</u>	<u>OPWC Loan #CT67P</u>	<u>USDA Revenue Bond Sewer 1998</u>	<u>USDA Revenue Bond Water 2013</u>
2014	\$12,700	\$7,234	\$38,242	\$44,522
2015	12,700		38,242	44,522
2016	12,700		38,242	69,223
2017	12,700		38,242	69,243
2018	12,700		38,242	69,145
2019-2023	6,350		191,210	346,078
2024-2028			191,210	346,028
2029-2033			191,210	345,990
2034-2038			189,475	346,134
2039-4043				345,961
2043-2048				346,106
2049-2053				346,012
Total	<u>\$69,850</u>	<u>\$7,234</u>	<u>\$954,315</u>	<u>\$2,718,964</u>

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**7. RETIREMENT SYSTEMS**

The Village's employees 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 2013, 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, 2013.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. JOINTLY GOVERNED ORGANIZATIONS**

The Lima-Allen County Regional Planning Commission, Allen County, (the Commission) was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Financial information can be obtained from Marlene Schumaker, Grant coordinator, 130 West Main St., Lima, Ohio 45801 or call 419-228-1836, or e-mail [mschumaker@lacrpc.com](mailto:mschumaker@lacrpc.com).

**10. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantor may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE (Direct Program)</b>			
Water and Waste Disposal Systems for Rural Communities	Loan	10.760	\$1,619,000
Water and Waste Disposal Systems for Rural Communities	Grant	10.760	<u>491,863</u>
Total U.S. Department of Agriculture Rural Utilities Service			<u>2,110,863</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed Through Ohio Department of of Developmnet</b>			
Community Development Block Grants / State's Program	C-W-12-2MP-1	14.228	<u>451,686</u>
Total U.S. Department of Housing and Urban Development			<u>451,686</u>
Total Federal Awards Expenditures			<u><u>\$2,562,549</u></u>

*The notes to the Schedule of Federal Awards Expenditures are an integral part of this schedule.*

**VILLAGE OF CAIRO  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Note A – Significant Account Policies**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Village of Cairo's (the Village) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

**Note B – Matching Requirements**

Certain Federal programs require the Village to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditures of non-federal matching funds are not included on the Schedule.



# 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 Cairo  
Allen County  
P.O. Box 198  
Cairo, Ohio 45820

To the Members of 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 cash balances, receipts and disbursements by fund type of the Village of Cairo, Allen County, (the Village) as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***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 certain deficiencies in internal control over financial reporting, that we consider a material weakness and 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 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

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 2013-002 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, 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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-002.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 19, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Members of Council:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Village of Cairo's (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Village of Cairo's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal programs.

### ***Management's Responsibility***

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Village's compliance for each of the Village's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major programs. However, our audit does not provide a legal determination of the Village's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Village of Cairo complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as items 2013-003 and 2013-004. These findings did not require us to modify our compliance opinion on each major federal program.

**Report on Internal Control Over Compliance**

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-004 to be a material weakness.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 19, 2016

VILLAGE OF CAIRO  
HARDIN COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2013

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse under GAAP, unmodified under the regulatory basis
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Water and Waste Disposal Systems for Rural Communities - CFDA #10.760 Community Development Block Grants / State's Program - CFDA #14.228
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2013-001**

**Material Weakness**

**Accuracy of Financial Reporting**

The Village should have procedures and controls in place to prevent and detect errors in the financial statements and accounting records to help assure that the information provided to the users is complete and accurate.

**FINDING NUMBER 2013-001  
(Continued)**

The following errors were identified in December 31, 2013 financial statements and notes:

- Homestead and rollback receipts in the amount of \$5,027 were recorded in the General Fund as property and other local taxes receipts instead of intergovernmental receipts.
- A funding payment from a local school district in the amount of \$15,000 was recorded in the General Fund as property and other local taxes instead of miscellaneous receipts.
- General Fund subsequent year appropriations in excess of estimated receipts in the amount \$12,432 were classified as unassigned instead of assigned fund balance.
- Proceeds of United State Development Agency (USDA) revenue bonds, in the amount of \$1,619,000, was recorded in the Enterprise Improvement Fund as special assessments instead of sale of bonds.
- Community Development Block Grant and U.S. Department of Agriculture grant receipts in the amount of \$1,410,116 were recorded in the Enterprise Improvement Fund as special assessments instead of intergovernmental receipts.
- Ohio Water Development Authority loan receipts in the amount of \$1,529,279 were recorded in the Enterprise Improvement Fund as special assessments instead other debt proceeds.
- Income tax receipts in the amount of \$2,000 were recorded in the Enterprise Improvement Fund as special assessments instead of non-operating –property and other taxes.
- Ohio Public Works Commission on be-half receipts and disbursements of \$212,213 were not recorded as capital outlay, loan proceeds (\$7,234) and intergovernmental receipts (\$205,000)
- The interest payment on the Ohio Water Development Authority loan in the amount of \$8,063 was recorded in the General Fund as capital outlay instead of interest and fiscal charges.
- Ohio Water Development Authority planning loan proceeds (\$121,764), loan fees (\$5,647), interest (\$472) and principal repayment (\$115,645) were not recorded in the Enterprise Improvement Fund.
- The repayment of the Ohio Water Development Authority loan in the amount of \$1,619,000 was recorded in the Enterprise Improvement Fund as capital outlay instead of principal.
- A debt service fund used for the payment of enterprise fund debt and a retirement reserve fund for enterprise fund debt were classified as governmental funds instead of enterprise funds. The following activity was adjusted from governmental to enterprise: Debt Service Fund – charges for services - \$1,200, special assessments - \$47,295, principal retirement - \$23,700, interest and other fiscal charges - \$26,918, beginning fund balance - \$11,970 and ending fund balance - \$9,847); and Debt Service Sewer Retirement Reserve Fund - beginning and ending fund balance - \$42,185.
- The notes to the financial statements had some errors in the fund accounting and debt disclosures.

The accompanying financial statements and notes, and if required the accounting records, have been adjusted to correct these errors.

**FINDING NUMBER 2013-001  
 (Continued)**

Errors in the financial statements, notes, and supporting ledgers inhibit the ability of both the Village Fiscal Officer and Members of Council to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Village. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner.

The errors identified about should be reviewed by the Fiscal Officer to help assure that similar errors are not recorded in the accounting records and reported on the financial statements in subsequent years. The Members of Council should periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements. In addition, the Village Fiscal Officer should review the Village Officer's Handbook, Auditor of State Bulletins, and UAN Manual, which can be found on the Auditor of State Website <http://ohioauditor.gov/> , for guidance in recording of financial activity.

**FINDING NUMBER 2013-002**

**Noncompliance / Significant Deficiency**

**Ohio Rev. Code § 9.38** requires that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

The Village's Inside Recreation Director collected gym rental receipts. Starting in April of 2013, the Recreation Director maintained a calendar and documented who rented the gym and how much was paid by the individual. Prior to April of 2013, no written record was maintained. The Recreation Director only periodically deposited the receipts from the gym rental. In addition no approved fee schedule was adopted by Council. The following table summarizes the collection and deposit of the receipts in 2013:

<b>Month Collected</b>	<b>Amount Collected</b>	<b>Date Deposited</b>
January to May 2013	\$2,215.00	June 13, 2013
June to September 2013	\$1,880.00	October 15, 2013
October 2013	\$1,070.00	November 26, 2013
November 2013	\$605.00	December 31, 2013
December 2013	\$995.00	December 31, 2013

The failure to timely deposit receipts increases the risk of the loss or misuse of public money. The lack of an approved fee schedule may result in fees being charged that are not acceptable to Council. Also without an approved publicly available fee schedule, excess fees could be charged and a lessor amount deposited without being detected by Council.

**FINDING NUMBER 2013-002  
 (Continued)**

The Inside Recreation Director should deposit all receipts with the Fiscal Officer on a timely basis. The Village Council should develop procedures and controls to help ensure all individuals associated with receipt collection follow both the Ohio Revised Code and any Village adopted deposit policy. In addition, the Village Council shall adopt a fee schedule for the gym rental. Someone independent of the person maintaining the rental calendar and depositing receipts, should review and approve the monthly calendars and corresponding deposits and report the results to Council. Variances between monthly calendars, deposited receipts, or violation of the Ohio Revised Code and Village deposit policy should be investigated.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Noncompliance Citation**

<b>Finding Number</b>	2013-003
<b>CFDA Title and Number</b>	Water and Waste Disposal Systems for Rural Communities – CFDA #10.760 Community Development Block Grants / State’s Program – CFDA #14.228
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	U.S Department of Agricultural Rural Utilities Service and U.S. Department of Housing and Urban Development
<b>Pass-Through Agency</b>	CFDA #10.760 – N/A – direct program CFDA #14.228 – Ohio Department of Development

**Office of Management and Budget (OMB) Circular A-133 section 320(a)** requires the auditee to submit the data collection form described in section 320(b) and the reporting package described in section 320(c) within the earlier of 30 days after receipt of the auditor’s report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. If this was not done, then a federal single audit was not “completed” for purposes of this low risk auditee determination.

The Village was required to have a federal single audit performed for the period of January 1, 2013 to December 31, 2013 as the result of having federal expenditures of \$500,000 or more within the year. As a result the data collection form and reporting package was not submitted within the required timeframe. The failure to receive a timely federal single audit not only results in the Village being considered a high risk auditee but could also result in action being taken by one or more federal grant agencies.

Policies and procedures should be implemented to help assure that the Village identifies the need for a Single Audit in a timely manner.

**Noncompliance Citation / Material Weakness**

<b>Finding Number</b>	2013-004
<b>CFDA Title and Number</b>	Water and Waste Disposal Systems for Rural Communities – CFDA #10.760 Community Development Block Grants / State’s Program – CFDA #14.228
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	U.S Department of Agricultural Rural Utilities Service and U.S. Department of Housing and Urban Development
<b>Pass-Through Agency</b>	CFDA #10.760 – N/A – direct program CFDA #14.228 – Ohio Department of Development

**OMB Circular A-133, Subpart C, Section 300(d)**, requires the Village to prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .310. **OMB Circular A-133, Subpart C, Section 310(b)(3)** states at a minimum the schedule shall provide total Federal awards expended for each individual Federal program. The Village prepared a schedule of federal awards expenditures (the Schedule) for 2013 which included the following errors:

- Expenditures for the Water and Waste Disposal Systems for Rural Communities - CFDA #10.760 were overstated by \$186,251.
- Expenditures for the Community Development Block Grants/State’s Program - CFDA #14.228 were overstated by \$65,200.

The accompanying Schedule of Federal Expenditures has been adjusted to properly present the grant activity.

The failure to correctly report grant activity on the Schedule resulted in a material misstatement of the Schedule. A materially misstated Schedule may result in follow-up action being taken by the grantor agency.

Procedures should be implemented to help assure that the Schedule properly reports the activity of the federal grants that benefit the Village. Such procedures could include reconciling the Village’s accounting records, and grant documents and subsidiary records maintained by each department to the Schedule. In addition, grantor agencies may need to be contacted to identify on-behalf payments. In addition, resources such as OMB Circular A-133 should be utilized to further understand the requirements of reporting federal grants.

**OFFICIALS’ RESPONSE:** We did not receive a response from Officials to the findings reported above.

VILLAGE OF CAIRO  
ALLEN COUNTY

**CORRECTIVE ACTION PLAN**  
**OMB CIRCULAR A -133 § .315 (c)**  
**DECEMBER 31, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-003	In future years the Village will determine if a single audit is needed and notify the auditors in a timely manner to help assure single audit reporting requirements are met.	January 19, 2016	Diane Miller, Fiscal Officer
2013-004	The Village will prepare future federal schedules based on grant files and accounting ledgers in order to help accurately report federal expenditures on the schedule.	January 19, 2016	Diane Miller, Fiscal Officer



# Dave Yost • Auditor of State

**VILLAGE OF CAIRO**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2016**