



**Auditor of State
Betty Montgomery**

**VILLAGE OF CECIL
PAULDING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Cecil
Paulding County
103 N. Main Street
P.O. Box 164
Cecil, Ohio 45821-0164

To the Village Council:

We have audited the accompanying financial statements of the Village of Cecil, Paulding County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audits of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.01 requires the auditor of State to provide UAN Services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio Governments.

We believe that our audit provides a reasonable basis for our opinion.

Because of inadequacies in the Village's accounting records we were unable to obtain supporting documentation regarding the amounts reported as charges for services, for the year 2002, in the Enterprise Fund Type.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had records concerning Enterprise Fund Type charges for services been adequate, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 22, 2004

**VILLAGE OF CECIL
PAULDING COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 4,908	\$ 475	\$ 5,383
Intergovernmental Receipts	19,733	6,510	26,243
Charges for Services	215		215
Fines, Licenses, and Permits	644		644
Earnings on Investments	152	28	180
Miscellaneous	201		201
	<u>25,853</u>	<u>7,013</u>	<u>32,866</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,462	568	2,030
Public Health Services	622		622
Leisure Time Activities	1,015		1,015
Transportation	303	2,909	3,212
General Government	16,083	26	16,109
	<u>19,485</u>	<u>3,503</u>	<u>22,988</u>
Total Cash Receipts Over Cash Disbursements	6,368	3,510	9,878
Fund Cash Balances, January 1	<u>(26,512)</u>	<u>42,144</u>	<u>15,632</u>
Fund Cash Balances, December 31	<u><u>\$ (20,144)</u></u>	<u><u>\$ 45,654</u></u>	<u><u>\$ 25,510</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF CECIL
PAULDING COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 37,519
Operating Cash Disbursements:	
Personal Services	2,558
Fringe Benefits	275
Contractual Services	18,694
Supplies and Materials	3,342
Other	281
Capital Outlay	1,121
Total Operating Cash Disbursements	26,271
Operating Income	11,248
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	21,602
Non-Operating Cash Disbursements:	
Debt Service	32,769
Excess of Cash Receipts Over Cash Disbursements	81
Fund Cash Balances, January 1	14,658
Fund Cash Balances, December 31	\$ 14,739

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF CECIL
PAULDING COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 5,294	\$ 515		\$ 5,809
Intergovernmental Receipts	18,324	6,137	\$ 54,636	79,097
Fines, Licenses, and Permits	715			715
Earnings on Investments	269	156		425
Miscellaneous	100			100
	<u>24,702</u>	<u>6,808</u>	<u>54,636</u>	<u>86,146</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	5,011	568		5,579
Public Health Services	49			49
Leisure Time Activities	1,182			1,182
Transportation	1,186	7,013		8,199
General Government	20,584	531		21,115
Capital Outlay			54,636	54,636
	<u>28,012</u>	<u>8,112</u>	<u>54,636</u>	<u>90,760</u>
Total Cash Disbursements				
Total Cash Disbursements Over Cash Receipts	<u>(3,310)</u>	<u>(1,304)</u>		<u>(4,614)</u>
Other Financing Disbursements:				
Other Financing Uses	<u>(1,000)</u>			<u>(1,000)</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts	<u>(4,310)</u>	<u>(1,304)</u>		<u>(5,614)</u>
Fund Cash Balances, January 1	<u>(22,202)</u>	<u>43,448</u>		<u>21,246</u>
Fund Cash Balances, December 31	<u>\$ (26,512)</u>	<u>\$ 42,144</u>		<u>\$ 15,632</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF CECIL
PAULDING COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 31,891
Operating Cash Disbursements:	
Contractual Services	19,320
Supplies and Materials	878
Other	334
Capital Outlay	529
Total Operating Cash Disbursements	21,061
Operating Income	10,830
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	20,850
Non-Operating Cash Disbursements:	
Debt Service	32,895
Excess of Cash Disbursements Over Cash Receipts	(1,215)
Fund Cash Balances, January 1	15,873
Fund Cash Balances, December 31	\$ 14,658

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF CECIL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Cecil, Paulding County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides sewer utilities and park operations. The Village contracts with Crane Township to provide fire protection services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

Certificates of deposit are valued at cost.

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:

**VILLAGE OF CECIL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. General Fund

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

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Emergency Medical Services (EMS) Fund -This fund receives local tax revenue for the purpose of providing EMS services.

3. Capital Project Funds

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

Ohio Public Works Commission Fund - This fund receives a grant from the State of Ohio to repair and maintain Village roads.

5. Enterprise Funds

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

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

Sewer Special Assessment Debt Fund – The sewer project was financed with a loan from the Ohio Water Development Authority. This debt is being

**VILLAGE OF CECIL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

retired from special assessments levied against the benefiting property owners.

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 level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF CECIL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand deposits	\$ 35,416	\$ 25,556
Certificates of deposit	4,833	4,734
Total deposits and investments	\$ 40,249	\$ 30,290

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 23,658	\$ 25,853	\$ 2,195
Special Revenue	6,809	7,013	204
Enterprise	55,351	59,121	3,770
Total	\$ 85,818	\$ 91,987	\$ 6,169

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 28,133	\$ 19,485	\$ 8,648
Special Revenue	18,953	3,503	15,450
Enterprise	70,009	59,040	10,969
Total	\$ 117,095	\$ 82,028	\$ 35,067

**VILLAGE OF CECIL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 29,208	\$ 24,702	\$ (4,506)
Special Revenue	7,117	6,808	(309)
Capital Projects	54,636	54,636	
Enterprise	60,157	52,741	(7,416)
Total	<u>\$ 151,118</u>	<u>\$ 138,887</u>	<u>\$ (12,231)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 39,563	\$ 28,012	\$ 11,551
Special Revenue	20,566	8,112	12,454
Capital Projects		54,636	(54,636)
Enterprise	73,409	53,956	19,453
Total	<u>\$ 133,538</u>	<u>\$ 144,716</u>	<u>\$ (11,178)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Ohio Public Works Commission fund by \$54,636. The General fund had a cash deficit balance of \$20,144 at December 31, 2003 and \$26,512 at December 31, 2002. Incorrect General fund unencumbered balances of \$10,356 at January 1, 2002 and \$4,475 at January 1, 2003 were certified to the County Auditor.

Revenue collected during 2002 was less than amounts estimated in the General fund by \$4,503 and Enterprise Debt Service fund \$14,306 which is contrary to Ohio when appropriations were greater than available resources.

Contrary to Ohio law, General fund appropriations exceeded amounts available for expenditures (estimated resources) by \$30,000 in 2003 and \$32,557 in 2002. Fund level changes were made to the original appropriation totals during 2002 were recorded in the Village's accounting records. These changes were not approved by council as required by Ohio law.

**VILLAGE OF CECIL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

The Village did not make the proper certification of funds required by Ohio law for twenty-two percent of the transactions tested during the audit period.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	<u>\$ 384,294</u>	2.00%

The Ohio Water Development Authority (OWDA) loan relates to a wastewater plant expansion project. The loan will be repaid in semiannual installments of \$16,385, including interest, over 25 years. A total amount of \$639,766 was borrowed from OWDA. The loan is collateralized by sewer assessments levied against the benefiting property owners. The Village has agreed to assess property owners' amounts sufficient to cover the debt service requirements.

**VILLAGE OF CECIL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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

Year ending December 31:	OWDA Loan
2004	\$ 32,769
2005	32,769
2006	32,769
2007	32,769
2008	32,769
2009 – 2013	163,845
2014 – 2017	114,692
Total	\$ 442,382

6. RETIREMENT SYSTEMS

Elected officials and employees of the Village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each Member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

**VILLAGE OF CECIL
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

The Plan issues its own policies and reinsures with A-VII or better rated carriers, except for a 5 percent portion the Plan retains. With policies effective September 1, 2003 and after, the Plan pays the lesser of 5 percent or \$25,000 for casualty losses up to the coverage limit and the lesser of 5 percent or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2003	2002
Assets	\$ 5,402,167	\$ 5,584,592
Liabilities	(1,871,123)	(2,441,793)
Members' Equity	\$ 3,531,044	\$ 3,142,799

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

8. SUBSEQUENT EVENT

As of January 1, 2004, the Village levied 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 will withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers will pay estimated taxes quarterly and file a declaration annually.

The Village will use the Regional Income Tax Authority (RITA) as its administrator for the income tax. RITA will be responsible for billing, collecting and distributing all income taxes on behalf of the Village.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Cecil
Paulding County
103 N. Main Street
P.O. Box 164
Cecil, Ohio 45821-0164

To the Village Council:

We have audited the accompanying financial statements of the Village of Cecil, Paulding County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 22, 2004, in which we noted that we were unable to render an opinion on the Enterprise fund charges for services in 2002 and the Village's financial transactions were processed on the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audits of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. Except regarding Enterprise Fund 2002 charges for services, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted an instance involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

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



Betty Montgomery
Auditor of State

July 22, 2004

**VILLAGE OF CECIL
PAULDING COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.10 requires that money paid into any fund shall be used only for the purposes for which such fund is established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligation of the fund or funds carrying the deficit balance. The General fund had a deficit fund balance during the period of January 1, 2002 through December 31, 2003 including \$20,144 at December 31, 2003 and \$26,512 at December 31, 2002. Fund balances and activity should be monitored and planned expenditures reduced to avoid deficit fund cash balances.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.36 (A) (1) requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision shall certify to the county auditor, the total amount from all sources available for expenditures from each fund. The amount certified shall include any unencumbered balances that existed at the end of the preceding year. The balances for the following funds certified to the county auditor by the Village were incorrect

	Amounts Certified	Actual Balances	Difference
At January 1, 2003			
General Fund	\$ 4,475	\$ (26,512)	\$ 30,987
Street Construction, Maintenance, and Repair Fund	10,440	40,440	(30,000)
At January 1, 2002			
General Fund	10,356	(22,202)	32,558
Street Construction, Maintenance, and Repair Fund	11,723	41,723	(30,000)

FINDING NUMBER 2003-002
(Continued)

In addition, the certificate for fiscal 2002 was not submitted until February 15, 2002.

These amounts are carried forward to the original amended certificate of estimated resources which is used to base annual appropriations. As a result, the annual appropriations could be overstated and allowing deficit spending.

We recommend that the Village Clerk-Treasurer complete this certification after the general ledger is closed for the year and include accurate fund balances.

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Revised Code § 5705.36 (A)(4) states when the fiscal officer determines that the revenue to be collected will be less than the amount included in the official certificate and the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of deficiency to the budget commission and the commission shall certify an amended certificate reflecting the deficiency. Revenue collected during 2002 was less than amounts estimated in the General fund by \$4,503 and Enterprise Debt Service fund \$14,306. In these funds appropriations were greater than available resources. We recommend the fiscal officer certify all significant revenue collection deficiencies to the budget commission.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Revised Code § 5705.36 (A)(5) states that the total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources. General fund appropriations exceeded amounts available for expenditures (estimated resources) by \$30,987 in 2003 and \$32,557 in 2002. This was a result of the incorrect available balance being certified to the county auditor at the beginning of the fiscal year. We recommend that the Village Clerk – Treasurer certify accurate fund balances to the county auditor and monitor appropriations throughout the fiscal year to ensure these amounts did not exceed estimated resources.

FINDING NUMBER 2003-005

Noncompliance Citation

Ohio Revised Code § 5705.40 allows a government to amend or supplement any appropriation ordinance or measure provided that the amendment or supplement complies with all provisions of law governing the taxing authority in making an original appropriation. The original appropriation adopted by council established the “level of control” at the fund level. Fund level changes made to the original appropriation totals during 2002 were recorded in the Village’s accounting records. These changes were not approved by council.

	Recorded Amounts	Approved Amounts	Difference
General Fund	\$ 35,330	\$ 39,563	\$ (4,233)
Street Construction, Maintenance, and Repair Fund	8,321	18,224	(9,903)
EMS Fund	800	2,342	(1,542)
Ohio Public Works Commission Fund	54,636		54,636
Sewer Fund	34,575	38,252	(3,677)

This could result in changes to appropriations which are inconsistent with council intentions. The approved amounts were adjusted into the amounts disclosed in the budgetary note. Any changes made to appropriations at the level of control, the fund level in this case, should be approved by council in the same manner as the original appropriation measure.

FINDING NUMBER 2003-006

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures made from the Ohio Public Work Commission (OPWC) fund (\$54,636) were not appropriated. An amended certificate was received from the County Auditor for these monies. The Clerk-Treasurer should have asked council to approve a supplemental appropriation for the OPWC monies received in 2002.

FINDING NUMBER 2003-007

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. 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. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 (\$3,000 after April 7, 2003) or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000 (\$3,000 after April 7, 2003), the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

The Clerk – Treasurer did not make the proper certification of funds for twenty – two percent of the transactions tested during the audit period. We recommend prior certification of all expenditures, but when prior certification is not possible “then and now” certificates should be utilized.

FINDING NUMBER 2003-008

Material Weakness – Sewer Billing System

The Village uses a software package to process all sewer billings and collections. During 2002, no reports were generated showing account balances, monthly activity, adjusting entries, etc. In 2003 collection reports were generated; however, these reports were inaccurate and did not reconcile to the revenues on the uniform accounting network (UAN) system.

FINDING NUMBER 2003-008
(Continued)

There were some instances that the Village was collecting more than the rates authorized by Council. There was no policy for levying late penalties and based on prior audit balances and current estimated billings and collections, it is estimated as of December 31, 2003 there is more than \$62,000 in delinquent accounts, which represents almost 2 full years of sewer billings that the Village has not made any effort to collect.

This lack of information does not provide sufficient information with which to monitor sewer billings and collections, could cause delay or neglect in billing and posting of revenues, and errors or irregularities could occur and not be detected timely. In addition, failure to enforce collection of past due accounts restricts the Village's cash flow and could result in the inability to pay obligations of the sewer utility.

We recommend reports be completed and maintained for each month, showing amounts billed, penalties assessed, amounts paid and balances outstanding. Revenues per the utility records should be reconciled to the UAN system and amounts deposited monthly. In addition, the Village should amend the utility collection ordinance to coincide with the amounts charged, adopt a policy for assessing penalties to past due accounts and consult with their legal counsel for procedures to collect past due accounts, including but not limited to, certifying the amounts to the County Auditor and having them added to the property owners tax bill.

**VILLAGE OF CECIL
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30263-001	ORC § 5705.41(D) improper certification of funds by fiscal officer	No	Not corrected. Reissued as finding #2003-007.
2001-30263-002	ORC § 5705.10 deficit fund balance	No	Not corrected. Reissued as finding #2003-001.
2001-30263-003	ORC § 5705.41(B)	No	Not corrected. Reissued as finding #2003-006.
2001-30263-004	Financial Monitoring	Yes	
2001-30263-005	Sewer Billing System	No	Not corrected. Reissued as finding #2003-008.



**Auditor of State
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VILLAGE OF CECIL

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 12, 2004**