

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

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**



Mary Taylor, CPA

Auditor of State

Honorable Members of Village Council
Village of Elmwood Place
6118 Vine Street
Elmwood Place, Ohio 45216

We have reviewed the *Independent Auditors' Report* of the Village of Elmwood Place, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 12, 2007

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

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Village of Elmwood Place, Hamilton County, Ohio, (the Village), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village prepares its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity-wide statements and also to present its larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a white background.

Cincinnati, Ohio
July 27, 2007

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Total
	General	Special Revenue	Capital Projects	(Memorandum Only)
<i>Cash Receipts:</i>				
Property and Local Taxes	\$ 386,086	\$ 78,850	\$ -	\$ 464,936
Municipal Income Taxes	338,470	-	-	338,470
Intergovernmental Revenues	48,900	397,746	-	446,646
Charges for Services	57,677	-	-	57,677
Fines, Licenses and Permits	186,247	17,341	-	203,588
Earnings on Investments	2,522	-	-	2,522
Miscellaneous	<u>140,478</u>	<u>9,576</u>	<u>-</u>	<u>150,054</u>
Total Cash Receipts	<u>1,160,380</u>	<u>503,513</u>	<u>-</u>	<u>1,663,893</u>
<i>Cash Disbursements:</i>				
Current:				
Security of Persons and Property	429,807	88,060	-	517,867
Public Health Services	715	-	-	715
Leisure Time Activities	30,242	-	-	30,242
Basic Utility Services	89,940	-	-	89,940
Transportation	40,156	106,526	-	146,682
General Government	419,103	4,139	-	423,242
Capital Outlay	<u>-</u>	<u>229,896</u>	<u>-</u>	<u>229,896</u>
Total Cash Disbursements	<u>1,009,963</u>	<u>428,621</u>	<u>-</u>	<u>1,438,584</u>
Receipts Over Disbursements	<u>150,417</u>	<u>74,892</u>	<u>-</u>	<u>225,309</u>
<i>Other Financing Receipts:</i>				
Sale of Equipment	9,300	-	-	9,300
Other Financing Sources	<u>34,211</u>	<u>-</u>	<u>-</u>	<u>34,211</u>
Total Other Financing Receipts	<u>43,511</u>	<u>-</u>	<u>-</u>	<u>43,511</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	193,928	74,892	-	268,820
Fund Cash Balance, January 1	<u>19,570</u>	<u>210,506</u>	<u>22</u>	<u>230,098</u>
Fund Cash Balance, December 31	<u>\$ 213,498</u>	<u>\$285,398</u>	<u>\$ 22</u>	<u>\$ 498,918</u>

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

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES – AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Fiduciary Fund Type Agency</u>
<i>Non-Operating Cash Receipts:</i>	
Other Non-Operating Cash Receipts	<u>\$217,357</u>
Total Non-Operating Cash Receipts	<u>217,357</u>
<i>Non-Operating Cash Disbursements:</i>	
Other Non-Operating Cash Disbursements	<u>212,944</u>
Total Non-Operating Cash Disbursements	<u>212,944</u>
Excess of Cash Receipts Over Cash Disbursements	4,413
Fund Cash Balance, January 1	<u>25,724</u>
Fund Cash Balance, December 31	<u>\$ 30,137</u>

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

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Property and Local Taxes	\$ 130,462	\$ 78,896	\$ -	\$ 209,358
Municipal Income Taxes	323,991	-	-	323,991
Intergovernmental Revenues	17,315	209,683	-	226,998
Charges for Services	47,618	-	-	47,618
Fines, Licenses and Permits	140,690	13,604	-	154,294
Earnings on Investments	1,426	-	-	1,426
Miscellaneous	6,949	-	-	6,949
Total Cash Receipts	668,451	302,183	-	970,634
<i>Cash Disbursements:</i>				
Current:				
Security of Persons and Property	309,865	101,739	-	411,604
Public Health Services	1,451	-	-	1,451
Leisure Time Activities	11,563	-	-	11,563
Basic Utility Services	74,803	-	-	74,803
Transportation	8,418	101,296	-	109,714
General Government	357,557	3,953	-	361,510
Capital Outlay	-	-	383	383
Total Cash Disbursements	763,657	206,988	383	971,028
Receipts Over (Under) Disbursements	(95,206)	95,195	(383)	(394)
<i>Other Financing Receipts:</i>				
Other Financing Sources	27,306	-	-	27,306
Total Other Financing Receipts	27,306	-	-	27,306
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(67,900)	95,195	(383)	26,912
Fund Cash Balance, January 1	87,470	115,311	405	203,186
Fund Cash Balance, December 31	\$ 19,570	\$210,506	\$ 22	\$230,098

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

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES – AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Fiduciary Fund Type Agency</u>
<i>Non-Operating Cash Receipts:</i>	
Other Non-Operating Cash Receipts	<u>\$165,887</u>
Total Non-Operating Cash Receipts	<u>165,887</u>
<i>Non-Operating Cash Disbursements:</i>	
Other Non-Operating Cash Disbursements	<u>157,658</u>
Total Non-Operating Cash Disbursements	<u>157,658</u>
Excess of Cash Receipts Over Cash Disbursements	8,229
Fund Cash Balance, January 1 (Restated)	<u>17,495</u>
Fund Cash Balance, December 31	<u>\$ 25,724</u>

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

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Elmwood Place, Hamilton County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected, Mayor and six-member Council. The Village provides general governmental services, park operations and other leisure time activities, and police and fire services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

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

4. Capital Project Funds

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

Road Improvement Fund - This fund received a road improvement grant from the State of Ohio in a prior year and accounts for the expenditures under that grant.

5. Fiduciary Funds (Trust and Agency Funds)

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

Full time and permanent part time clerical employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as leaving employment. Unpaid vacation and sick leaves are not reflected as liabilities under the cash basis of accounting used by the Village.

H. Total Columns on Financial Statements

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash pool used by all funds. The Village did not have any investments as of December 31, 2006 or 2005. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 is as follows:

	<u>2006</u>	<u>2005</u>
Demand deposits	<u>\$ 529,055</u>	<u>\$ 255,822</u>

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

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$ 1,105,410	\$ 1,203,891	\$ 98,481
Special Revenue	413,296	503,513	90,217
Total	\$ 1,518,706	\$ 1,707,404	\$ 188,698

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$ 1,079,796	\$ 1,009,963	\$ 69,833
Special Revenue	492,444	428,621	63,823
Total	\$ 1,572,240	\$ 1,438,584	\$ 133,656

2005 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$ 700,635	\$ 695,757	\$ (4,878)
Special Revenue	176,580	302,183	125,603
Total	\$ 877,215	\$ 997,940	\$ 120,725

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$ 788,105	\$ 763,657	\$ 24,448
Special Revenue	230,468	206,988	23,480
Capital Projects	405	383	22
Total	\$ 1,018,978	\$ 971,028	\$ 47,950

4. PROPERTY TAX

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

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

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

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

For 2005, the Village's property tax levy was not renewed resulting in a significant decline in property tax revenues. A levy was renewed for 2006.

5. LOCAL EARNINGS TAX

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

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

6. MISCELLANEOUS RECEIPTS

During 2006, the General and Street Construction, Maintenance and Repair Funds received funds from a commercial railway company and the State of Ohio for the closure of several railroad crossings within the Village.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. For 2006 and 2005, OPERS' members contributed 9 and 8.5 percent, respectively, of their gross wages. The Village contributed an amount equal to 13.70 and 13.55 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool), an unincorporated non-profit association, governed by its member municipalities. The Pool is sponsored by the Ohio Municipal League and is administered and operated by JWF Specialty Company. Pursuant to Section 2744.081 of the Ohio Revised Code, the Pool is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Pool pays judgments, settlements, and other expenses resulting from claims that exceed their member's deductibles.

Casualty excess-of-loss contracts at December 31, 2006 generally protect against individual losses exceeding \$5,000.

Property coverage contracts protect against losses, subject to a deductible of \$5,000, limited to an annual aggregate loss of \$5,000.

The Village entered into a participation agreement with the Pool which provides for additional assessments to its members if contributions are insufficient to meet its obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit earnings at December 31, 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$ 2,241,661	\$ 2,390,150
Liabilities	<u>(3,457,720)</u>	<u>(3,424,271)</u>
Retained (deficit) earnings	<u>\$ (1,216,059)</u>	<u>\$ (1,034,121)</u>

Settled claims, resulting from these risks, have not exceeded commercial insurance in any of the past three years. There has been no significant reduction in insurance coverage from prior years.

9. PRIOR PERIOD ADJUSTMENT

The Fund Cash Balance as of January 1, 2005 of the Agency Fund has been restated from the amount previously reported. As of December 31, 2004, the fund cash balance in a Payroll Trust Fund was overstated by \$27,825.

The adjustment made to correct the fund cash balances of the Agency Fund Type as of January 1, 2005 is as follows:

	<u>Agency</u>
	<u>Fund Type</u>
Fund cash balance as previously reported	\$ 45,320
Correction for Payroll Trust Fund	<u>(27,825)</u>
Fund cash balance, January 1, 2005, restated	<u>\$ 17,495</u>

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the Village of Elmwood Place, Hamilton County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 27, 2007 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes or permits such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2006-01 and 2006-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses.

However, we believe the significant deficiencies described in finding numbers 2006-01 and 2006-02 are also material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, express no opinion on them.

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

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

Cincinnati, Ohio
July 27, 2007

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number 2006-01

Material Weakness

Our testing of the records for the Village's Mayor Court records disclosed the following conditions:

- Monthly bank reconciliations were not being performed.
- Amounts collected were not being timely distributed to the Village and other entities.
- The Court's procedures for the batching of daily receipts do not provide a document trail between amounts deposited and payments received by case/docket.
- Deposits were not being made on a timely basis
- Cases that are settled by receiving assessed fines prior to scheduled court date are not reported to the Mayor or the magistrate for review and approval.

We recommend that management of the Village review of the current operations of the Mayor's court and implement adequate procedures to ensure that all amounts collected are properly and timely deposited, recorded and distributed. We further recommend that a person independent of the Court's operation review and approve monthly reports and bank reconciliations and that the Mayor or magistrate review and approve the final disposition of all cases to ensure they are properly resolved.

Village's Response

Do to employee turnover in the Court, the Village agrees that control procedures have deteriorated and need to be re-evaluated and improved. The Village will take steps to implement new procedures to adequately account and document the Court's activities.

FINDING NUMBER 2006-02

Material Weakness

Tests of the Village's income tax collection system were performed to determine if adequate procedures were in place to ensure that the tax payers of the Village were being adequately identified and tax payer accounts were being established within the Village's tax account database.

We noted 6 of 40 (15 percent) potential taxpayers selected for testing where the Village had not established an account and had no records indicating that contact had been made concerning potential resident or income information.

We recommend that the Village institute procedures to identify all residences and businesses within the taxing authority of the Village and adequately maintain and monitor its taxpayer database to ensure that all taxes due to the Village are being collected on a timely basis.

Village's Response

The Village will review its procedures for monitoring its tax payer database and take steps to implement new procedures to adequately identify all eligible tax payers.

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

There were no finding reported in the Village's prior audit report.



Mary Taylor, CPA
Auditor of State

**VILLAGE OF ELMWOOD PLACE
HAMILTON COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2007**