



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, 2014.

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.

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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, 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Cairo, Allen County as of December 31, 2014, 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 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.



Dave Yost
Auditor of State
Columbus, Ohio

January 19, 2016

**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, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$25,311			\$25,311
Municipal Income Tax	49,192			49,192
Intergovernmental	26,364	\$26,321		52,685
Charges for Services	10,472			10,472
Fines, Licenses and Permits	1,310			1,310
Earnings on Investments	36	7		43
Miscellaneous	18,274		\$99,970	118,244
Total Cash Receipts	<u>130,959</u>	<u>26,328</u>	<u>99,970</u>	<u>257,257</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	18,200			18,200
Public Health Services	1,177			1,177
Leisure Time Activities	10,654			10,654
Community Environment	3,108			3,108
Transportation		25,461		25,461
General Government	67,713			67,713
Capital Outlay	3,349		97,393	100,742
Total Cash Disbursements	<u>104,201</u>	<u>25,461</u>	<u>97,393</u>	<u>227,055</u>
Excess of Receipts Over Disbursements	<u>26,758</u>	<u>867</u>	<u>2,577</u>	<u>30,202</u>
Fund Cash Balances, January 1	<u>134,369</u>	<u>35,595</u>		<u>169,964</u>
Fund Cash Balances, December 31:				
Restricted		36,462	2,577	39,039
Assigned	108,421			108,421
Unassigned	52,706			52,706
Fund Cash Balances, December 31	<u>\$161,127</u>	<u>\$36,462</u>	<u>\$2,577</u>	<u>\$200,166</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, 2014

Operating Cash Disbursements:	
Contractual Services	\$429
Total Operating Cash Disbursements	<u>429</u>
Operating (Loss)	<u>(429)</u>
Non-Operating Receipts (Disbursements):	
Intergovernmental	23,684
Special Assessments	101,708
Capital Outlay	(156,389)
Principal Retirement	(31,934)
Interest and Other Fiscal Charges	<u>(67,382)</u>
Total Non-Operating Receipts (Disbursements)	<u>(130,313)</u>
(Loss) before Transfers	(130,742)
Transfer In	69,300
Transfer Out	<u>(69,300)</u>
Net Change in Fund Cash Balances	(130,742)
Fund Cash Balances, January 1	<u>318,353</u>
Fund Cash Balances, December 31	<u><u>\$187,611</u></u>

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, 2014**

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 10 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 and Investments

The Village maintains all funds in demand deposit.

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, 2014
(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. Capital Projects Fund

This fund account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following Capital Projects Fund:

Main Street Capital Fund - This fund accounted for a payment received for damage to Village streets.

4. Enterprise Fund

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

VILLAGE OF CAIRO
ALLEN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. **Non-spendable**

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

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

G. Property, Plant, and Equipment

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

**VILLAGE OF CAIRO
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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:

	<u>2014</u>
Demand deposits	<u>\$387,777</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,240	\$130,959	(\$94,281)
Special Revenue	28,533	26,328	(2,205)
Capital Project	99,970	99,970	
Enterprise	144,684	194,692	50,008
Total	\$498,427	\$451,949	(\$46,478)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$237,672	\$104,201	\$133,471
Special Revenue	43,812	25,461	18,351
Capital Project	99,700	97,393	2,307
Enterprise	364,670	325,434	39,236
Total	\$745,854	\$552,489	\$193,365

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.

**VILLAGE OF CAIRO
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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.

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC - Loan - 1996 #CM008	\$57,150	0.00%
OPWC - Loan - 2013 #CT67P	541,000	5.00%
USDA - Revenue Bond - Water 2013	1,619,000	2.75%
Total	<u>\$2,217,150</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 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, 2014 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. The water system revenue bond covenant requires the Village to establish and fund a debt service reserve fund. The balance in the fund at December 31, 2014 is \$69,300.

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

**VILLAGE OF CAIRO
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

6. DEBT (Continued)

<u>Year ending December 31:</u>	<u>OPWC #CM008</u>	<u>USDA Sewer 1998</u>	<u>USDA Water 2013</u>
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	6,350	38,242	69,230
2020-2024		191,210	345,986
2025-2029		191,210	346,073
2030-3034		191,210	346,088
2035-2039		151,233	345,987
2040-2044			346,070
2045-2049			346,040
2050-2053			276,835
Total	<u>\$57,150</u>	<u>\$916,073</u>	<u>\$2,674,442</u>

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 prescribe this plan benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014, 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, 2014.

All Council members contribute to Social Security. The Village's liability for social security is 6.2% of wages paid.

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. TRANSFERS

The transfer between the Enterprise Improvement Fund and the Enterprise Debt Service Reserve Fund was to establish a reserve account per the water project USDA loan agreement.

**VILLAGE OF CAIRO
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

10. 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.

11. 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.

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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, 2014, 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 2014-001 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 2014-002 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 are described in the accompanying schedule of findings as item 2014-002.

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

VILLAGE OF CAIRO
ALLEN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014

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

FINDING NUMBER 2014-001

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.

The following errors were identified in December 31, 2014 financial statements and were adjusted in the accompanying financial statements:

- Homestead and rollback receipts in the amount of \$5,177 were recorded in the General Fund as property and other local taxes receipts instead of intergovernmental receipts.
- Local government revenue in the amount of \$1,147 was recorded in the General Fund as municipal income tax 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 municipal income taxes instead of miscellaneous receipts.
- General Fund subsequent year appropriations in excess of estimated receipts in the amount \$108,421 were classified as unassigned instead of assigned fund balance.
- The interest payment on the U.S. Department of Agriculture notes in the amount of \$11,000 was recorded in the Enterprise Improvement Fund as capital outlay instead of interest.
- U.S. Department of Agriculture grant receipts in the amount of \$23,684 were recorded in the Enterprise Improvement Fund as special assessments instead of intergovernmental receipts.
- The repayment of the Ohio Water Development Authority OWDA loan in the amount of \$7,234 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 was classified as a governmental fund instead of enterprise funds. The following activity was adjusted from governmental to enterprise: Debt Service Fund special assessments - \$52,270, principal retirement - \$24,700, interest and other fiscal charges - \$26,397, beginning fund balance - \$9,847 and ending fund balance - \$11,020) 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.

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 2014-002

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 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 2014:

<u>Month Collected</u>	<u>Amount Collected</u>	<u>Deposited</u>
January	\$915.00	February 26, 2014
February	\$1,095.00	March 31, 2014
March	\$1,175.00	May 9, 2014
April	\$1,212.50	June 30, 2014
May	\$500.00	June 30, 2014
June	\$990.00	August 29, 2014
July	\$955.00	August 29, 2014
August	\$505.00	October 31, 2014
September	\$315.00	October 31, 2014
October	\$1,855.00	December 30, 2014
November	\$955.00	December 30, 2014

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 lesser amount deposited without being detected by Council.

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.

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

**VILLAGE OF CAIRO
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material Weakness - Accuracy of Financial Reporting	No	Repeated as Finding 2014-001
2013-002	Ohio Rev. Code § 9.38 / Significant Deficiency -Recreation Receipts– timely deposits, fee schedule and monitoring of receipts	No	Repeated as Finding 2014-002
2013-003	Office of Management and Budget (OMB) Circular A-133 section 320(a) - data collection form not submitted within nine months after the end of the audit period	N/A	N/A – not a Single Audit audit in 2014
2013-004	OMB Circular A-133, Subpart C, Section 300(d) and OMB Circular A-133, Subpart C, Section 310(b)(3) – expenditures were overstated on the Schedule of Federal Expenditures	N/A	N/A – not a Single Audit audit in 2014

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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**