



**Auditor of State
Betty Montgomery**

VILLAGE OF CEDARVILLE
GREENE COUNTY

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**Auditor of State
Betty Montgomery**

Village of Cedarville
Greene County
141 East Xenia Avenue
Cedarville, Ohio 45314

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

August 18, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Cedarville
Greene County
141 East Xenia Avenue
Cedarville, Ohio 45314

To the Village Council:

We have audited the accompanying financial statements of the Village of Cedarville, Greene County, (the Village), as of and for the years ended December 31, 2004 and 2003. 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 the Comptroller General of the United States *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires 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 governments to reformat their statements. The Village has elected not to reformat its statements. Since this 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 year ended December 31, 2004 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, 2004 or its changes in financial position or cash flows of its proprietary fund for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 August 18, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 18, 2005

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$15,807	\$5,733	\$21,540
Municipal Income Taxes	408,057		408,057
Intergovernmental Receipts	177,014	64,874	241,888
Fines, Licenses, and Permits	335	5,629	5,964
Earnings on Investments	5,917	1,150	7,067
Miscellaneous	21,313	14,061	35,374
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	628,443	91,447	719,890
Cash Disbursements:			
Current:			
Security of Persons and Property	33,745	292,275	326,020
Public Health Services	1,159		1,159
Leisure Time Activities	14,999	8,273	23,272
Community Environment	3,832		3,832
Basic Utility Services	4,510		4,510
Transportation	13,398	58,908	72,306
General Government	271,353		271,353
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	342,996	359,456	702,452
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	285,447	(268,009)	17,438
Other Financing Receipts and (Disbursements):			
Transfers-In		275,716	275,716
Transfers-Out	(275,716)		(275,716)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(275,716)	275,716	
Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	9,731	7,707	17,438
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	292,080	72,797	364,877
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>
	\$301,811	\$80,504	\$382,315
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$1,528	\$2,338	\$3,866

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

VILLAGE OF CEDARVILLE
GREENE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	<u>\$71,488</u>
Operating Cash Disbursements:	
Personal Services	17,006
Contractual Services	61,445
Supplies and Materials	<u>685</u>
Total Operating Cash Disbursements	<u>79,136</u>
Operating (Loss)	(7,648)
Fund Cash Balance, January 1	<u>34,288</u>
Fund Cash Balance, December 31	<u><u>\$26,640</u></u>

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

**VILLAGE OF CEDARVILLE
GREENE 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	\$59,575	\$6,497	\$66,072
Municipal Income Taxes	392,093		392,093
Intergovernmental Receipts	174,613	56,242	230,855
Fines, Licenses, and Permits	835	1,719	2,554
Earnings on Investments	3,406	598	4,004
Miscellaneous	32,716	15,708	48,424
	<u>663,238</u>	<u>80,764</u>	<u>744,002</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	33,939	298,907	332,846
Public Health Services	3,049		3,049
Leisure Time Activities	14,999	4,590	19,589
Community Environment	3,490		3,490
Basic Utility Services	17,900		17,900
Transportation	7,894	60,017	67,911
General Government	365,144		365,144
	<u>446,415</u>	<u>363,514</u>	<u>809,929</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>216,823</u>	<u>(282,750)</u>	<u>(65,927)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		277,500	277,500
Transfers-Out	(277,500)		(277,500)
	<u>(277,500)</u>	<u>277,500</u>	
Total Other Financing Receipts/(Disbursements)			
Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(60,677)	(5,250)	(65,927)
Fund Cash Balances, January 1	<u>352,757</u>	<u>78,047</u>	<u>430,804</u>
Fund Cash Balances, December 31	<u><u>\$292,080</u></u>	<u><u>\$72,797</u></u>	<u><u>\$364,877</u></u>
Reserves for Encumbrances, December 31	<u><u>\$3,557</u></u>	<u><u>\$5,152</u></u>	<u><u>\$8,709</u></u>

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

VILLAGE OF CEDARVILLE
GREENE COUNTY

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

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$73,827
Miscellaneous	<u>323</u>
Total Operating Cash Receipts	<u>74,150</u>
Operating Cash Disbursements:	
Personal Services	12,215
Contractual Services	68,235
Supplies and Materials	<u>2,312</u>
Total Operating Cash Disbursements	<u>82,762</u>
Operating (Loss)	(8,612)
Fund Cash Balance, January 1	<u>42,900</u>
Fund Cash Balance, December 31	<u><u>\$34,288</u></u>
Reserve for Encumbrances, December 31	<u><u>\$2,000</u></u>

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

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Cedarville, Greene County, (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides park operations and police services. The Village contracted with the Waste Management Company through October 2003 for refuse pick-up for the Village residents. Beginning November 2003, the Village contracts this service with Rumpke.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts as investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit and U.S. Treasury Notes at cost. Money market mutual funds are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds account for proceeds from specific sources 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.

Police Operating Fund – This fund receives property tax money for operating the Village's police department.

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

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

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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 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

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$140,115	\$52,295
Certificates of deposit		51,522
Total deposits	140,115	103,817
Merrill Lynch - Government Securities Account	268,840	295,348
Total deposits and investments	\$408,955	\$399,165

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

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$612,701	\$628,443	\$15,742
Special Revenue	364,160	367,163	3,003
Enterprise	76,000	71,488	(4,512)
Total	\$1,052,861	\$1,067,094	\$14,233

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$903,421	\$620,240	\$283,181
Special Revenue	436,616	361,794	74,822
Enterprise	110,289	79,136	31,153
Total	\$1,450,326	\$1,061,170	\$389,156

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$657,186	\$663,238	\$6,052
Special Revenue	363,350	358,264	(5,086)
Enterprise	76,075	74,150	(1,925)
Total	\$1,096,611	\$1,095,652	(\$959)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$737,167	\$727,472	\$9,695
Special Revenue	379,157	368,666	10,491
Enterprise	85,975	84,762	1,213
Total	\$1,202,299	\$1,180,900	\$21,399

Contrary to Ohio law, funds were not routinely certified prior to expenditure in all funds.

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 pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

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

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

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. LEASE

The Village entered a three year lease with Public-Finance.com, Inc. on March 1, 2004 to purchase a paving machine. No lease payments were made prior to December 31, 2004. Lease payments due as of December 31, 2004 are as follows:

	<u>Principal</u>	<u>Interest</u>
2005	\$15,993	\$1,982
2006	16,654	1,321
2007	17,301	673
Total	<u>\$49,948</u>	<u>\$3,976</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers 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 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members 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, 2004.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RISK MANAGEMENT (Continued)

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003.

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

9. CONTINGENT LIABILITIES

The Village has no known contingent liabilities.

10. SUBSEQUENT EVENTS

A. Purchase of Library and Receipt of HUD Grant

During 2005, many local governmental entities contributed funds to purchase a new library. The Library is in part of a building, of which the land is owned by the builder, therefore making this a "condo" type situation. The Village owns this portion of the building, and accepted the deed on February 7, 2005. The Village's contributions towards the Library include the following:

- \$250,000 HUD grant received by the Village on January 28, 2005. The Village then wrote a check to the builder, for the net amount of \$248,525.
- \$40,000 the Village donated during 2004.
- \$15,184 loan from the Village, which is to be repaid in 2005.

With exception of the HUD grant, all funds were collected by the Greene County Foundation, who acted as a third party. This Foundation, then wrote out one check once all funds were collected.

B. Purchase of Police Cruiser and Dump Truck

During February 2005, the Council approved the purchase of a new police cruiser at a cost of \$26,887. In addition, the Council approved the purchase of a new dump truck for \$53,015 during May 2005.



**Auditor of State
Betty Montgomery**

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

Village of Cedarville
Greene County
141 East Xenia Avenue
Cedarville, Ohio 45314

To the Village Council:

We have audited the financial statements of the Village of Cedarville, Greene County, (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 18, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated August 18, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated August 18, 2005, we reported other matters related to noncompliance we deemed immaterial.

Village of Cedarville
Greene County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management and Council.
It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 18, 2005

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Ohio Rev. Code Section 5705.41(D) provides that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by the statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days there is no legal liability on the part of the subdivision of taxing district.

Amount of less than \$100 for counties, or less than \$1,000 (\$3,000 effective April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of "then and now" certificate, provided the certificate is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Village failed to properly certify 20% of the expenditures tested, including the exceptions noted above. Proper certification of funds would provide an accurate picture of remaining available appropriations and unencumbered funds which would aid in financial decision making.

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC Sec. 5705.41 (D) – Failure to properly certify the availability of funds.	No	Not Corrected – See Finding 2004-001.
2002-002	ORC Sec. 5705.39 – Appropriations exceeded estimated resources.	Yes	N/A



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

**VILLAGE OF CEDARVILLE
GREENE COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 20, 2005**