



**VILLAGE OF FLORIDA
HENRY COUNTY**

SINGLE AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005



**Auditor of State
Betty Montgomery**

VILLAGE OF FLORIDA
HENRY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004.....	8
Notes to the Financial Statements	9
Federal Awards Expenditures Schedule.....	17
Notes to the Federal Awards Expenditures Schedule	18
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings	27

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Village of Florida
Henry County
104 South Hill Street
Napoleon, Ohio 43545-9216

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 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. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 9, 2006

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Florida
Henry County
104 South Hill Street
Napoleon, Ohio 43545-9216

To the Village Council:

We have audited the accompanying financial statements of the Village of Florida, Henry County, (the Village) as of and for the years ended December 31, 2005 and 2004. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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 years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 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 years ended December 31, 2005 and 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, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds 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 of Florida, Henry County, as of December 31, 2005 and 2004, 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 years ended December 31, 2005 and 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 October 9, 2006, 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.

We conducted our audit to opine on the financial statements that collectively comprise the Village's financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Betty Montgomery
Auditor of State

October 9, 2006

**VILLAGE OF FLORIDA
HENRY 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**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$5,587			\$5,587
Intergovernmental Receipts	9,992	\$12,369	\$1,675,821	1,698,182
Charges for Services	925			925
Earnings on Investments	7,177	388		7,565
Miscellaneous	2,063			2,063
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	25,744	12,757	1,675,821	1,714,322
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	3,333			3,333
Leisure Time Activities	5,420			5,420
Basic Utility Services	1,009	326		1,335
Transportation		3,633		3,633
General Government	22,084			22,084
Debt Service:				
Principal Payments			359,419	359,419
Capital Outlay			2,784,483	2,784,483
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	31,846	3,959	3,143,902	3,179,707
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(6,102)	8,798	(1,468,081)	(1,465,385)
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts				
Ohio Water Development Agency Loan Proceeds			1,609,001	1,609,001
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(6,102)	8,798	140,920	143,616
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	18,409	41,587	967	60,963
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$12,307	\$50,385	\$141,887	\$204,579
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF FLORIDA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$123,251		\$123,251
Operating Cash Disbursements:			
Personal Services	22,872		22,872
Fringe Benefits	2,939		2,939
Contractual Services	86,509		86,509
Supplies and Materials	9,251		9,251
Total Operating Cash Disbursements	121,571		121,571
Operating Income	1,680		1,680
Non-Operating Cash Receipts:			
Earnings on Investments	29		29
Other Non-Operating Receipts		\$16,197	16,197
Total Non-Operating Cash Receipts	29	16,197	16,226
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	6,500		6,500
Interest	8,405		8,405
Other Non-Operating Disbursements		14,848	14,848
Total Non-Operating Cash Disbursements	14,905	14,848	29,753
Excess of Receipts Over/(Under) Disbursements	(13,196)	1,349	(11,847)
Fund Cash Balances, January 1	334,129		334,129
Fund Cash Balances, December 31	\$320,933	\$1,349	\$322,282

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

**VILLAGE OF FLORIDA
HENRY 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>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$11,154			\$11,154
Intergovernmental Receipts	10,712	\$11,432		22,144
Earnings on Investments	3,520	186		3,706
Miscellaneous	1,418			1,418
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	26,804	11,618		38,422
Cash Disbursements:				
Current:				
Security of Persons and Property	3,094			3,094
Leisure Time Activities	2,299			2,299
Basic Utility Services	782			782
Transportation		6,364		6,364
General Government	23,487			23,487
Capital Outlay			\$148,680	148,680
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	29,662	6,364	148,680	184,706
Total Cash Receipts Over (Under) Cash Disbursements	(2,858)	5,254	(148,680)	(146,284)
Other Financing Receipts:				
Ohio Water Development Agency Loan Proceeds			148,680	148,680
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(2,858)	5,254		2,396
Fund Cash Balances, January 1	21,267	36,333	967	58,567
Fund Cash Balances, December 31	<u><u>\$18,409</u></u>	<u><u>\$41,587</u></u>	<u><u>\$967</u></u>	<u><u>\$60,963</u></u>

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

**VILLAGE OF FLORIDA
HENRY COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$122,669		\$122,669
Operating Cash Disbursements:			
Personal Services	20,062		20,062
Fringe Benefits	3,293		3,293
Contractual Services	85,304		85,304
Supplies and Materials	5,963		5,963
Total Operating Cash Disbursements	114,622		114,622
Operating Income	8,047		8,047
Non-Operating Cash Receipts:			
Earnings on Investments	314		314
Other Non-Operating Receipts		\$16,471	16,471
Total Non-Operating Cash Receipts	314	16,471	16,785
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	6,300		6,300
Interest	8,720		8,720
Other Non-Operating Disbursements		16,471	16,471
Total Non-Operating Cash Disbursements	15,020	\$16,471	31,491
Excess of Disbursements Over Receipts	(6,659)		(6,659)
Fund Cash Balances, January 1	340,788		340,788
Fund Cash Balances, December 31	\$334,129		\$334,129

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

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 Florida, Henry County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, and park operations. The Village contracts with the Henry County Sheriff's department to provide security of persons and property. The Village contracts with Richland Township – Jewell Rescue to receive emergency medical 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 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 for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) 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 Funds

These funds 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 Fund:

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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 Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Sanitary Sewer Construction Fund - This fund receives proceeds of loans and grants from the Ohio Water Development Agency, the Ohio Public Works Commission, and the United States Department of Agriculture. The proceeds are being used to construct a new sanitary sewer system.

4. 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 significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

5. Fiduciary Funds (Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund 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:

Sewer System Agency Fund – This fund is used to account for the collection and distribution of sewer fees collected from Okolona utility customers on behalf of the Henry County Soil and Water Conservation District.

E. Budgetary Process

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

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 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.

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:

	2005	2004
Demand deposits	\$327,365	\$200,754
Certificates of deposit		30,000
Total deposits	327,365	230,754
STAR Ohio	199,496	164,338
Total deposits and investments	\$526,861	\$395,092

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$25,744	\$25,744
Special Revenue		12,757	12,757
Capital Projects		3,284,822	3,284,822
Enterprise		123,280	123,280
Total		\$3,446,603	\$3,446,603

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$31,846	(\$31,846)
Special Revenue		3,959	(3,959)
Capital Projects		3,143,902	(3,143,902)
Enterprise		136,476	(136,476)
Total		\$3,316,183	(\$3,316,183)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,793	\$26,804	\$2,011
Special Revenue	9,505	11,618	2,113
Capital Projects	100,000	148,680	48,680
Enterprise	133,640	122,983	(10,657)
Total	\$267,938	\$310,085	\$42,147

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,059	\$29,662	\$16,397
Special Revenue	18,500	6,364	12,136
Capital Projects	100,000	148,680	(48,680)
Enterprise	217,515	129,642	87,873
Total	\$382,074	\$314,348	\$67,726

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sanitary Sewer Construction Fund by \$48,680 for the year ended December 31, 2004. For the year ended December 31, 2005, budgetary expenditures exceeded appropriation authority in all funds since contrary to Ohio Law, there were no appropriations certified by the County Budget Commission.

Contrary to Ohio Law, the Village did not appropriate and post \$148,680 spent on their behalf by Ohio Water Development Authority (OWDA) for the year ended December 31, 2004. For the year ended December 31, 2005, the Village did not appropriate and post \$296,721 of Ohio Public Works Commission (OPWC) and \$365,031 spent on the Village's behalf by OWDA.

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. DEBT

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$1,629,196	1.50 - 2.88%
Mortgage Revenue Bonds	161,600	5.00%
Total	<u>\$1,790,796</u>	

The Mortgage Revenue Bonds were issued in 1981 for the construction of a municipal waterworks system. The bonds will be repaid in annual installments until 2021. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the United States Department of Agriculture (USDA) debt service requirements.

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an Enterprise fund. The balance in the fund at December 31, 2005 is \$32,514.

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT – (Continued)

The Ohio Water Development Authority (OWDA) loans relates to a sewer system expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,654,253 in loans to the Village for this project. The OWDA loans are expected to be paid off in 2006 with the proceeds of a loan from the United States Department of Agriculture. An amortization schedule for future debt service payments is not available due to the project not being finalized.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>Mortgage Revenue Bonds</u>
2006	\$14,880
2007	14,940
2008	14,880
2009	14,905
2010	14,810
2011-2015	74,615
2016-2020	74,680
2021	14,910
Total	<u><u>\$238,620</u></u>

6. RETIREMENT SYSTEM

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, 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, 2005.

7. RISK MANAGEMENT

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

VILLAGE OF FLORIDA
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

7. RISK MANAGEMENT – (Continued)

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 occurrence, including claim 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 \$10,000,000 in the aggregate per year. Villages can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 entities.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT – (Continued)

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Village's share of these unpaid claims is approximately \$9,526.

8. SUBSEQUENT EVENTS

On September 25, 2006, the Village received \$1,065,283 in loan proceeds from the USDA. The purpose of the loan is to pay off the OWDA loans which were used for sewer system construction.

VILLAGE OF FLORIDA
HENRY COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

FEDERAL GRANTOR <i>Pass Through Grantor</i> <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE		
Direct Assistance		
Water and Waste Disposal Systems for Rural Communities Loan	10.760	\$1,197,108
Water and Waste Disposal Systems for Rural Communities Grant	10.760	978,356
Total Federal Awards Expenditures		<u><u>\$2,175,464</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



**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 Florida
Henry County
104 South Hill Street
Napoleon, Ohio 43545-9216

To the Village Council:

We have audited the financial statements of Village of Florida, Henry County (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 9, 2006, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-003 through 2005-005.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2005-003 through 2005-005 listed above to be material weaknesses. In a separate letter to the Village's management dated October 9, 2006, we reported other matters involving internal control over financial reporting which 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-002. In a separate letter to the Village's management dated October 9, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Village Council, Board of Public Affairs, and federal awarding agencies. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 9, 2006



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Florida
Henry County
104 South Hill Street
Napoleon, Ohio 43545-9216

To the Village Council:

Compliance

We have audited the compliance of the Village of Florida, Henry County (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Florida complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005. In a separate letter to the Village's management dated October 9, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Village Council, Board of Public Affairs, and federal awarding agencies. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 9, 2006

**VILLAGE OF FLORIDA
HENRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse - GAAP Unqualified – Regulatory
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA # 10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code § 5705.39 states that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

**FINDING NUMBER 2005-001
(Continued)**

As the Village did not receive a certificate from the County Auditor for the appropriation measure for 2005 and as expenditures are limited by the appropriations established for each fund, none of the expenditures made by the Village in 2005 were in compliance with the Ohio Revised Code. Furthermore, the Sanitary Sewer Construction Fund had expenditures of \$148,680 which exceeded appropriations by \$48,680 at December 31, 2004.

Failure to certify an appropriation measure or make expenditures within appropriations could result in overspending. The Village should obtain a certificate for appropriations from the County Auditor as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to established appropriation limitations.

Officials' Response

The Clerk stated she mailed the appropriation measurer to the Henry County Auditor but did not receive a certificate.

FINDING NUMBER 2005-002

Noncompliance Citation

Chapter 5705 of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to assure that a government entity expends no more that it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded. R.C. 5705.42. Thus, a mechanism is still required to account for receipt and expenditure. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. R.C. 5705.40. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. R.C. 5705.38.

In 2004, the Village was the beneficiary of \$148,680 of Ohio Water Development Authority (OWDA) money sent directly to the vendor by OWDA. In 2005, the Village was the beneficiary of \$296,721 of Ohio Public Works Commission (OPWC) and \$365,031 of OWDA money sent directly to the vendor by OPWC and OWDA. This activity was not recorded on the ledgers of the Village. Since OWDA and OPWC paid the invoices, the Village did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities. The accompanying financial statements were adjusted to reflect these amounts in a Capital Project Fund. These funds were not appropriated causing expenditures to exceed appropriations in the Capital Projects fund by \$148,680 in 2004, and \$661,752 in 2005 contrary to R. C. 5705.41(B) which requires all expenditures to be appropriated.

We recommend the Village record all benefits received from state or federal grants as a memo receipt and expenditure on the Village's records and appropriate funds for the expenditures. In addition, Village management should review Auditor of State Bulletins 2000-008 and 2002-004

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-003

Material Weakness

Segregation of Duties- Utility

The Utility Clerk is responsible for processing utility bills, receiving payments, depositing utility receipts, and entering transactions into the utility system. Furthermore, the utility subsidiary revenue ledger is not online with the village cash receipts journal nor is it reconciled to the cash receipts journal. This could result in errors and irregularities occurring without the timely detection by management.

To increase controls and accountability over utility receipts, we recommend the Board of Public Affairs:

1. Review and initial Utility Payments Edit Report for any adjustments made to customer accounts and approve any credit adjustments on the Payment/Credit Report.
2. Compare collections per Breakdown of Funds Received Deposited Report to Utility Edit Reports, receipts, and deposits.
3. Review and initial the Utility Billing Aging Report and Account Late Charges Reprocessing Report to determine whether the Village's policy regarding penalties and shutoffs are being complied with.
4. Approve any delinquent accounts written off as uncollectible.
5. Review and initial the Utility Billing Aging Reports and determine that appropriate action is being taken on delinquent accounts.
6. Reconcile the Payment/Credit Recap Report to deposits and receipts on a periodic basis or have the Clerk perform this procedure.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-004

Material Weakness

Debt Transactions

Sound accounting practices require transactions to be posted in a timely manner. The Village made a debt payment by electronic fund transfer on January 2, 2004, but did not post this transaction to the appropriation ledger until January 18, 2005. This resulted in the Water Operating Fund being overstated by \$15,020 throughout 2004. To ensure more accurate financial reporting, we recommend that all transactions be posted in a timely manner. The accompanying financial statements were adjusted to correct this error.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-005

Material Weakness

Posting Estimated Resources

Estimated resources reported on the accounting system differed from amounts approved by the Council and submitted to the County Budget Commission in 2005.

The following variances in estimated resources were noted as of December 31, 2005:

FUNDS	Approved Estimated Resources	Posted Estimated Resources	Variance
General Fund		\$ 20,048	\$ 20,048
Special Revenue Funds:			
Street, Construction, Maintenance and Repair Fund		8,150	8,150
State Highway Fund		910	910
Permissive Motor Vehicle License Tax Fund		710	710
Capital Project Funds:			
Sanitary Sewer Grant Construction Fund		1,332,990	1,332,990
Enterprise Funds:			
Water Operating Fund		97,000	97,000
Sewer Operating Fund		356,324	356,324
Storm Sewer Fund		7,150	7,150
Water Debt Service Fund		150	150

Failure to accurately reflect budgetary figures in the accounting records could result in management basing their decisions on inaccurate information and could possibly result in deficit spending. We recommend that the estimated resources posted be based on amounts certified by the County Budget Commission.

Officials' Response

The Clerk stated that she asked the Henry County Auditor for a certificate of estimated resources for the year ended December 31, 2005, but never received one.

3. FINDINGS FOR FEDERAL AWARDS

None.

**VILLAGE OF FLORIDA
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Finding for Recovery repaid under audit for \$326.92 over payment of wages.	Yes	Fully Corrected
2003-002	Ohio Revised Code § 5705.39, appropriations exceeded estimated revenue available.	Yes	Fully Corrected
2003-003	Ohio Revised Code § 5705.41(D), expenditures not properly certified.	No	Partially corrected. Reported in the Management Letter.
2003-004	Ohio Revised Code § 5705.41(B), disbursements exceeding appropriations.	No	Not corrected. Reissued as Finding 2005 – 001.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF FLORIDA

HENRY 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
OCTOBER 23, 2006**