



Dave Yost • Auditor of State

VILLAGE OF CECIL
PAULDING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Cecil
Paulding County
301 West Third Street, P.O. Box 164
Cecil, Ohio 45821-0164

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Cecil, Paulding County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

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 opinion.

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 requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position or cash flows, where applicable, 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 Cecil, Paulding County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years 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 June 25, 2014, 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

June 25, 2014

**VILLAGE OF CECIL
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$3,328			\$3,328
Municipal Income Tax	14,961			14,961
Intergovernmental	14,850	\$7,671		22,521
Charges for Services	425			425
Fines, Licenses and Permits	989			989
Earnings on Investments	12	3		15
Miscellaneous	221			221
<i>Total Cash Receipts</i>	<u>34,786</u>	<u>7,674</u>		<u>42,460</u>
Cash Disbursements				
Current:				
Security of Persons and Property	2,114			2,114
Public Health Services	250			250
Leisure Time Activities	153			153
Community Environment	795			795
Transportation		6,640		6,640
General Government	19,452	185		19,637
<i>Total Cash Disbursements</i>	<u>22,764</u>	<u>6,825</u>		<u>29,589</u>
<i>Net Change in Fund Cash Balances</i>	12,022	849		12,871
<i>Fund Cash Balances, January 1</i>	<u>42,560</u>	<u>23,314</u>	<u>\$3,292</u>	<u>69,166</u>
Fund Cash Balances, December 31				
Restricted		24,163		24,163
Assigned			3,292	3,292
Unassigned	54,582			54,582
<i>Fund Cash Balances, December 31</i>	<u>\$54,582</u>	<u>\$24,163</u>	<u>\$3,292</u>	<u>\$82,037</u>

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

**VILLAGE OF CECIL
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$24,431
Fines, Licenses and Permits	344
<i>Total Operating Cash Receipts</i>	<i>24,775</i>
Operating Cash Disbursements	
Personal Services	3,963
Employee Fringe Benefits	504
Contractual Services	92,093
Supplies and Materials	545
<i>Total Operating Cash Disbursements</i>	<i>97,105</i>
<i>Operating Loss</i>	<i>(72,330)</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	2,418
Special Assessments	19,927
Other Debt Proceeds	75,798
Capital Outlay	(3,645)
Principal Retirement	(2,312)
Interest and Other Fiscal Charges	(5,698)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>86,488</i>
<i>Net Change in Fund Cash Balances</i>	<i>14,158</i>
<i>Fund Cash Balances, January 1</i>	<i>32,508</i>
<i>Fund Cash Balances, December 31</i>	<i>\$46,666</i>

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

**VILLAGE OF CECIL
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$2,265			\$2,265
Municipal Income Tax	17,838			17,838
Intergovernmental	18,114	\$8,263	\$15,000	41,377
Charges for Services	150			150
Fines, Licenses and Permits	711			711
Earnings on Investments	12	4		16
Miscellaneous	514			514
<i>Total Cash Receipts</i>	<u>39,604</u>	<u>8,267</u>	<u>15,000</u>	<u>62,871</u>
Cash Disbursements				
Current:				
Security of Persons and Property	2,546			2,546
Public Health Services	200			200
Community Environment	745			745
Transportation		12,793		12,793
General Government	30,539	1,090		31,629
Capital Outlay			15,000	15,000
<i>Total Cash Disbursements</i>	<u>34,030</u>	<u>13,883</u>	<u>15,000</u>	<u>62,913</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,574</u>	<u>(5,616)</u>		<u>(42)</u>
Other Financing Receipts (Disbursements)				
Insurance Proceeds	6,450			6,450
<i>Net Change in Fund Cash Balances</i>	12,024	(5,616)		6,408
<i>Fund Cash Balances, January 1</i>	<u>30,536</u>	<u>28,930</u>	<u>3,292</u>	<u>62,758</u>
Fund Cash Balances, December 31				
Restricted		23,314		23,314
Assigned			3,292	3,292
Unassigned	42,560			42,560
<i>Fund Cash Balances, December 31</i>	<u>\$42,560</u>	<u>\$23,314</u>	<u>\$3,292</u>	<u>\$69,166</u>

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

VILLAGE OF CECIL
PAULDING COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$31,660
Fines, Licenses and Permits	391
	<hr/>
<i>Total Operating Cash Receipts</i>	32,051
	<hr/>
Operating Cash Disbursements	
Personal Services	3,600
Employee Fringe Benefits	637
Contractual Services	103,920
Supplies and Materials	310
	<hr/>
<i>Total Operating Cash Disbursements</i>	108,467
	<hr/>
<i>Operating Loss</i>	(76,416)
	<hr/>
Non-Operating Receipts (Disbursements)	
Special Assessments	16,325
Other Debt Proceeds	87,153
Capital Outlay	(42)
Principal Retirement	(9,280)
Interest and Other Fiscal Charges	(1,585)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	92,571
	<hr/>
<i>Net Change in Fund Cash Balances</i>	16,155
	<hr/>
<i>Fund Cash Balances, January 1</i>	16,353
	<hr/>
<i>Fund Cash Balances, December 31</i>	\$32,508
	<hr/> <hr/>

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

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 Cecil, Paulding County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and park operations. The Village contracts with Crane Township to receive fire protection services.

The Village participates in the Ohio Government Risk Management, Inc. (OPRM), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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 the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. 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:

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 Fund

These funds account for and report financial resources that are restricted, committed, or

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

OPWC-LTIP-CDBG Fund – This fund received the benefit of on-behalf Community Development Block Grant (CDBG) grant monies, through Paulding County, for a storm sewer project.

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:

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

Sewer Special Assessment Debt Fund – The sewer project was financed with a loan from the Ohio Water Development Authority. This debt is being retired from special assessments levied against the benefiting property owners.

D. 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

E. Fund Balance

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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:

1. Nonspendable

The Village classifies assets as *nonspendable* 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.

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.

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Equity in Pooled Deposits

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

	2013	2012
Demand Deposits	\$128,703	\$101,674

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,500	\$34,786	(\$3,714)
Special Revenue	7,760	7,674	(86)
Enterprise	120,500	122,918	2,418
Total	\$166,760	\$165,378	(\$1,382)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,210	\$22,764	\$15,446
Special Revenue	13,250	7,207	6,043
Enterprise	123,636	108,760	14,876
Total	\$175,096	\$138,731	\$36,365

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,185	\$46,054	\$14,869
Special Revenue	7,733	8,267	534
Capital Projects	15,000	15,000	
Enterprise	61,900	135,529	73,629
Total	\$115,818	\$204,850	\$89,032

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,870	\$34,030	(\$160)
Special Revenue	31,500	14,265	17,235
Capital Projects		15,000	(15,000)
Enterprise	61,279	119,374	(58,095)
Total	\$126,649	\$182,669	(\$56,020)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, Capital Project, and Sewer funds for the year ended December 31, 2012. Also contrary to Ohio law, appropriations were not properly posted to the Village's accounting system in 2012.

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.

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.

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #2636	\$210,421	2%
Ohio Water Development Authority Loan #5975	164,739	3.44-3.99%
Total	\$375,160	

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

Ohio Water Development Authority (OWDA) loan #2636 relates to a wastewater plant expansion project. The loan was being repaid in semiannual installments of \$16,385, including interest, over 25 years from the Sewer Debt Service or the Sewer Operating Funds. During 2011, the Village and OWDA restructured the loan to 30 years, retroactively to the original date. The recalculated semiannual installments are \$14,283. Prior excess principal payments, based on the new installment, are being used to offset payments through July 2014. A total amount of \$639,766 was borrowed from OWDA. The loan is collateralized by sewer assessments levied against the benefiting property owners. The Village has agreed to assess property owners' amounts sufficient to cover the debt service requirements.

Ohio Water Development Authority (OWDA) Loan #5975 relates to a new wastewater treatment plant project. It was deemed more cost effective, by the Village, to build a new wastewater treatment plant instead of trying to update the existing plant, to correct OEPA findings. The new wastewater treatment plant project is in the process of being completed, with OWDA loan #5975 being used to help fund the village's planning portion of the project and as interim financing. When received, Community Development Block Grant and Ohio Public Works Commission grant monies will be used to repay the portion of the OWDA loan used as interim financing. There is currently no amortization schedule. A schedule of payments for the loan will be prepared by the Ohio Water Development Authority at the time the project is completed.

Amortization of the Ohio Water Development Authority Loan #2636, including interest, is scheduled as follows:

Year ending December 31:	<u>OWDA #2636</u>
2014	\$5,828
2015	28,566
2016	28,565
2017	28,566
2018	28,565
2019-2023	<u>114,262</u>
Total	<u><u>\$234,352</u></u>

7. Retirement System

The Village's officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

8. Risk Management

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM), formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. Subsequent Events

The Village is in the planning stage of a new wastewater treatment plant project. Village Council has approved to purchase land for \$9,000 and has approved a construction contract for \$525,500. As of December 31, 2013, the land has not been purchased and no construction work has been performed. The estimated cost of the project is \$804,000. Funding for the project consists of a \$402,000 Community Development Block Grant (CDBG), a \$369,000 Ohio Public Works Commission (OPWC) grant, and an Ohio Water Development Authority (OWDA) loan to be used for interim financing and for the Village's remaining portion of the costs. As of December 31, 2013,

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

OWDA loan monies were used for engineering/planning costs which will be repaid with CDBG and OPWC grant monies when received.



Dave Yost • Auditor of State

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

Village of Cecil
Paulding County
301 West Third Street, P.O. Box 164
Cecil, Ohio 45821-0164

To the Village 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 Village of Cecil, Paulding County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 25, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 material weaknesses.

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. 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 findings 2013-001, 2013-002, and 2013-005 described in the accompanying schedule of findings to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-002 through 2013-004.

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.



Dave Yost
Auditor of State

Columbus, Ohio

June 25, 2014

VILLAGE OF CECIL
PAULDING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Material Weakness - Financial Reporting

Accurate financial reporting is the responsibility of Village management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity. The 2013 and 2012 financial statements contained material errors, such as the following:

- Debt proceeds in the Enterprise Funds, in the amounts of \$70,100 in 2013 and \$85,700 in 2012, were incorrectly posted as other financing sources.
- Contractual service expenditures in the amount of \$82,290 were incorrectly posted as interest and other fiscal charges in the Enterprise Funds in 2012.
- As of December 31, 2013 and 2012, \$3,292 of assigned fund balance in the Capital Projects fund was misclassified as restricted fund balance.

Adjusting entries were posted to the financial statements to correct these and other errors, ranging from \$382 to \$85,700. To ensure the Village's financial statements and notes to the statements are complete and accurate, Council should adopt policies and procedures, including a final review of the financial statements, and notes to the financial statements to identify and correct errors and omissions.

FINDING NUMBER 2013-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code §5705.40 provides in part that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriations. The following were variances between approved and posted appropriations in 2012:

Fund	Approved Appropriations	Posted Appropriations	Variance
General Fund 2012	\$33,870	\$42,970	\$9,100
Capital Project Fund 2012		15,000	15,000
Sewer Fund 2012	45,279	126,781	81,502

Failure to obtain Council approval for all amendments could result in expenditures being made that are not within the intentions of Council. The accompanying notes to the financial statements reflect the above noted adjustments.

The Village should develop policies and implement procedures to assure that all appropriation amendments are properly approved by Council prior to being posted to the Village's system and submitted to the County Budget Commission.

FINDING NUMBER 2013-003

Noncompliance Citation

Ohio Rev. Code §5705.41 (B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village’s expenditures exceeded appropriations in the following funds at December 31, 2012:

Fund	Appropriations Authority	Actual Expenditures	Difference
General Fund	\$33,870	\$34,030	(\$160)
Capital Projects Fund		15,000	(15,000)
Sewer Fund	61,279	119,374	(58,095)

Allowing expenditures to exceed appropriations could result in deficit spending.

The Village should monitor budgeted appropriations and actual expenditures throughout the year to ensure that expenditures are within the appropriations that were approved by Council.

FINDING NUMBER 2013-004

Noncompliance Citation

Ohio Revised Code §5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1. “Then and Now” certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Nineteen percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and did not have a properly executed “then and now” certificate. Failure to properly certify the availability of funds prior to the commitment being made can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used. We further recommend any “then and now” certificates over \$3,000 be approved by Village Council.

FINDING NUMBER 2013-005

Material Weakness

Estimated Receipts

The Village did not always post budgeted receipts as listed on the Certificate of Estimated Resources. Failure to post correct budget amounts could inhibit Council's ability to monitor revenue activity. We noted the following differences between correct and posted amounts:

Fund	Estimated Receipts	Posted Receipts	Variance
General Fund 2013	\$38,500	\$36,200	(\$2,300)
General Fund 2012	31,185	37,635	6,450
Sewer Fund 2012	45,900	132,400	86,500

This resulted in inaccurate budgetary reports which could make it difficult for management to make informed decisions whether the Village’s actual receipts are sufficient to support appropriated disbursements. We recommend that estimated receipts be posted based on amounts certified by the County Auditor and County Budget Commission. As part of the monitoring process, the Fiscal Officer and Council should review the records to ensure that all budgeted amounts are properly reflected in the appropriate funds. The notes to the financial statements have been adjusted to show correct amounts.

Officials’ Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF CECIL
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Material weakness for not recording funds spent on the Village's behalf.	Yes	
2011-002	Material weakness for not properly classifying fund balances.	No	Finding has not been corrected and is repeated in this report as Finding 2013-001.
2011-003	Material weakness due to financial statement errors.	No	Finding has not been corrected and is repeated in this report as Finding 2013-001
2011-004	Ohio Water Development Authority Cooperative Agreement § 4.31(a) regarding insufficient revenues to meet debt obligations.	Yes	
2011-005	Ohio Water Development Authority Cooperative Agreement § 4.31(b) for failure to furnish annual report.	Yes	



Dave Yost • Auditor of State

VILLAGE OF CECIL

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 8, 2014