



Dave Yost • Auditor of State

VILLAGE OF ENON
CLARK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Enon
Clark County
363 East Main Street
Enon, Ohio 45323

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Enon, Clark County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Enon, Clark County as of December 31, 2014 and 2013, 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 October 21, 2015, 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

October 21, 2015

**VILLAGE OF ENON
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$137,636	\$191,120	\$328,756
Intergovernmental	87,053	189,295	276,348
Charges for Services	4,826		4,826
Fines, Licenses and Permits	54,332	3,446	57,778
Franchise Fees	32,034		32,034
Rental	11,904		11,904
Earnings on Investments	1,267		1,267
Miscellaneous	65,803	8,483	74,286
Total Cash Receipts	<u>394,855</u>	<u>392,344</u>	<u>787,199</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	273,369	235,492	508,861
Leisure Time Activities	7,305		7,305
Transportation		130,835	130,835
General Government	155,320	5,755	161,075
Capital Outlay	54,767	88,483	143,250
Debt Service:			
Principal Retirement	8,361		8,361
Interest and Fiscal Charges	1,207		1,207
Total Cash Disbursements	<u>500,329</u>	<u>460,565</u>	<u>960,894</u>
Excess of Receipts Over (Under) Disbursements	<u>(105,474)</u>	<u>(68,221)</u>	<u>(173,695)</u>
Other Financing Receipts (Disbursements):			
Transfers In		12,764	12,764
Transfers Out	<u>(12,764)</u>		<u>(12,764)</u>
Total Other Financing Receipts (Disbursements)	<u>(12,764)</u>	<u>12,764</u>	
Net Change in Fund Cash Balances	(118,238)	(55,457)	(173,695)
Fund Cash Balances, January 1	<u>316,149</u>	<u>40,840</u>	<u>356,989</u>
Fund Cash Balances, December 31:			
Non-spendable	2,364		2,364
Restricted		120,383	120,383
Assigned	195,547		195,547
Unassigned (Deficit)		<u>(135,000)</u>	<u>(135,000)</u>
Fund Cash Balances, December 31	<u>\$197,911</u>	<u>(\$14,617)</u>	<u>\$183,294</u>

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

**VILLAGE OF ENON
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$694,718		\$694,718
Fines, Licenses and Permits		\$71,541	71,541
Miscellaneous	4,027		4,027
Total Operating Cash Receipts	<u>698,745</u>	<u>71,541</u>	<u>770,286</u>
Operating Cash Disbursements:			
Personal Services	226,853		226,853
Employee Fringe Benefits	90,678		90,678
Contractual Services	195,664	74,358	270,022
Supplies and Materials	58,552		58,552
Bond Payments		1,200	1,200
Total Operating Cash Disbursements	<u>571,747</u>	<u>75,558</u>	<u>647,305</u>
Operating Income (Loss)	<u>126,998</u>	<u>(4,017)</u>	<u>122,981</u>
Non-Operating Receipts (Disbursements):			
Earnings on Investments (proprietary funds only)	(9)		(9)
OWDA Loan Proceeds	2,079		2,079
Capital Outlay	(62,824)		(62,824)
Principal Retirement	(69,106)		(69,106)
Interest and Other Fiscal Charges	(17,527)		(17,527)
Total Non-Operating Receipts (Disbursements)	<u>(147,387)</u>		<u>(147,387)</u>
Net Change in Fund Cash Balances	(20,389)	(4,017)	(24,406)
Fund Cash Balances, January 1	<u>994,667</u>	<u>10,782</u>	<u>1,005,449</u>
Fund Cash Balances, December 31	<u><u>\$974,278</u></u>	<u><u>\$6,765</u></u>	<u><u>\$981,043</u></u>

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

**VILLAGE OF ENON
CLARK COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$148,188	\$196,217	\$344,405
Intergovernmental	97,273	189,385	286,658
Special Assessments	143		143
Charges for Services	1,610		1,610
Fines, Licenses and Permits	48,126	3,148	51,274
Franchise Fees	35,278		35,278
Rental	20,939		20,939
Earnings on Investments	639		639
Miscellaneous	42,783	53,497	96,280
Total Cash Receipts	<u>394,979</u>	<u>442,247</u>	<u>837,226</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	221,749	297,412	519,161
Leisure Time Activities	4,935		4,935
Transportation		111,338	111,338
General Government	165,587	1,359	166,946
Capital Outlay	121,385	34,494	155,879
Total Cash Disbursements	<u>513,656</u>	<u>444,603</u>	<u>958,259</u>
Excess of Receipts Over (Under) Disbursements	<u>(118,677)</u>	<u>(2,356)</u>	<u>(121,033)</u>
Other Financing Receipts (Disbursements):			
Other Debt Proceeds	44,281		44,281
Total Other Financing Receipts (Disbursements)	<u>44,281</u>		<u>44,281</u>
Special Item - Restitution Payment	<u>54,023</u>		<u>54,023</u>
Net Change in Fund Cash Balances	(20,373)	(2,356)	(22,729)
Fund Cash Balances, January 1	<u>336,522</u>	<u>43,196</u>	<u>379,718</u>
Fund Cash Balances, December 31:			
Restricted		188,604	188,604
Assigned	316,149		316,149
Unassigned (Deficit)		(147,764)	(147,764)
Fund Cash Balances, December 31	<u>\$316,149</u>	<u>\$40,840</u>	<u>\$356,989</u>

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

**VILLAGE OF ENON
CLARK COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$742,809		\$742,809
Fines, Licenses and Permits		\$64,612	64,612
Miscellaneous	849		849
Total Operating Cash Receipts	<u>743,658</u>	<u>64,612</u>	<u>808,270</u>
Operating Cash Disbursements:			
Personal Services	198,124		198,124
Employee Fringe Benefits	100,103		100,103
Contractual Services	173,161	67,353	240,514
Supplies and Materials	75,621		75,621
Total Operating Cash Disbursements	<u>547,009</u>	<u>67,353</u>	<u>614,362</u>
Operating Income (Loss)	<u>196,649</u>	<u>(2,741)</u>	<u>193,908</u>
Non-Operating Receipts (Disbursements):			
Earnings on Investments	615		615
OWDA Loan Proceeds	194,413		194,413
Capital Outlay	(277,367)		(277,367)
Principal Retirement	(58,428)		(58,428)
Interest and Other Fiscal Charges	(18,600)		(18,600)
Total Non-Operating Receipts (Disbursements)	<u>(159,367)</u>		<u>(159,367)</u>
Net Change in Fund Cash Balances	37,282	(2,741)	34,541
Fund Cash Balances, January 1	<u>957,385</u>	<u>13,523</u>	<u>970,908</u>
Fund Cash Balances, December 31	<u><u>\$994,667</u></u>	<u><u>\$10,782</u></u>	<u><u>\$1,005,449</u></u>

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

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Enon, Clark County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including water sanitation, roadway maintenance and repair, park operations, and police services. The Village contracts with Mad River Township for fire protection services.

The Village participates in the Ohio Plan Risk Management, Inc. which is a public entity risk pool. See Note 7 for additional information regarding this organization.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Levy Fund - This fund receives property tax and associated receipts generated by the voter approved police levy which is for providing police protection.

3. Enterprise Fund

This fund accounts 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 one fund deemed as an enterprise fund:

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

4. Fiduciary - Agency Fund

The Village has one agency fund which is purely custodial in nature and is used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Mayor's Court Fund receives monies for court fees, fines, and forfeitures. On a monthly basis, these amounts are remitted to the Village, the State of Ohio, and other entities as prescribed by law.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except the agency 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. 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 approve estimated resources.

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

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

H. 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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2014	2013
Demand deposits	\$936,383	\$1,134,559
STAR Ohio	227,954	227,879
Total	\$1,164,337	\$1,362,438

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending [End of Years Audited] follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$314,135	\$394,855	\$80,720
Special Revenue	382,270	405,108	22,838
Enterprise	696,000	700,815	4,815
Total	\$1,392,405	\$1,500,778	\$108,373

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$585,055	\$537,174	\$47,881
Special Revenue	475,752	463,681	12,071
Enterprise	889,077	753,514	135,563
Total	\$1,949,884	\$1,754,369	\$195,515

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$328,364	\$493,283	\$164,919
Special Revenue	389,508	442,247	52,739
Enterprise	701,000	938,686	237,686
Total	\$1,418,872	\$1,874,216	\$455,344

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$748,563	\$549,679	\$198,884
Special Revenue	668,761	460,910	207,851
Enterprise	1,436,483	1,050,481	386,002
Total	\$2,853,807	\$2,061,070	\$792,737

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. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
OWDA Loan - #4000	\$364,626	3.26%
OWDA Loan - #5356	\$77,233	0.00%
OWDA Loan - #6474	\$187,398	2.17%
OPWC (A) CK023	\$19,593	0.00%
OPWC 06 CK16J	\$19,397	0.00%
WesBanco Loan - 2013 Police Car	35,919	2.82%
Total	\$704,166	

A. OWDA Loan #4000

This loan was obtained through the Ohio Water Development Authority (OWDA) and relates to the new well field development. The loan will be repaid in semi-annual installments of \$22,471 over 20 years with final maturity on 7/1/2024. This loan is secured by water receipts.

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. DEBT (Continued)

B. OWDA Loan #5356

This loan was obtained through the Ohio Water Development Authority (OWDA) and relates to the water treatment plant upgrades. The loan will be repaid in semi-annual installments of \$2,491 over 20 years with final maturity on 7/1/2030.

C. OWDA Loan #6474

This loan was obtained through the Ohio Water Development Authority (OWDA) and relates to the water meter replacement/upgrades throughout the Village. The loan has not yet been closed out, so no formal repayment schedule has been established. This loan is a ten year loan and will mature 7/1/2024.

D. OPWC (A) CK023 Loan

This loan was obtained through the Ohio Public Works Commission (OPWC) for the Houck Meadows water main extension and is secured by water receipts. The loan is being repaid in semiannual installments of \$3,266 over 20 years with final maturity on 1/1/2018.

E. OPWC 06 CK16J Loan

This loan was obtained through the Ohio Public Works Commission (OPWC) for improvements to Stine Road and is secured by water receipts. The loan is being repaid in semi-annual installments of \$693 over 20 years with final maturity on 1/1/2029.

F. WesBanco 2013 Police Car Loan

This loan was obtained from WesBanco and relates to the purchase of a police car. The loan is being repaid in semi-annual installments over five years with final maturity on 10/18/2018.

Amortization of the above debt, including interest, is scheduled, with the exception of the OWDA Loan #6474 noted above, as follows:

Year ending December 31:	OWDA		OPWC		WesBanco	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$38,306	\$11,617	\$7,916		\$8,602	\$966
2016	39,402	10,522	7,916		8,847	720
2017	40,533	9,391	7,916		9,104	463
2018	41,701	8,223	1,385		9,366	201
2019	42,908	7,016	1,385			
2020-2024	211,605	15,543	6,928			
2025-2029	24,914		5,544			
2030	2,490					
Total	<u>\$441,859</u>	<u>\$62,312</u>	<u>\$38,990</u>	<u>\$0</u>	<u>\$35,919</u>	<u>\$2,350</u>

**VILLAGE OF ENON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. RETIREMENT SYSTEMS

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 11.5% of their wages from July 1, 2014 through December 31, 2014. 10.75% of their wages from July 1, 2013 through June 30, 2014, and 10% of their wages from January 1, 2013 through June 30, 2013. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

7. RISK MANAGEMENT

The Village 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 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 (and through October 2014) 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 774 and 783 members as of December 31, 2013 and 2014 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 equity at December 31, 2013 and 2014.

VILLAGE OF ENON
CLARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

7. RISK MANAGEMENT (CONTINUED)

	<u>2014</u>	<u>2013</u>
Assets	\$14,830,185	\$13,774,304
Liabilities	(8,942,504)	(7,968,395)
Members' Equity	<u>\$5,887,681</u>	<u>\$5,805,909</u>

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

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

8. CONTINGENT LIABILITIES

As of December 31, 2014, the Village is a defendant in various lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not have a material adverse effect on the Village's financial condition.

9. SPECIAL ITEM

In June 2013, the Village received a check for \$54,023 from the previous Clerk-Treasurer, Debra Maurer, which represented a restitution payment as part of her conviction for theft in office. The restitution represented money that was stolen along with corresponding legal and accounting fees related to the theft. The entire payment related to the General Fund and was recorded to that fund.



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 Enon
Clark County
363 East Main Street
Enon, Ohio 45323

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 Enon, Clark County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated October 21, 2015 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 a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider Finding Number 2014-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding Number 2014-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as Finding Number 2014-001 and 2014-002.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

October 21, 2015

VILLAGE OF ENON
CLARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Noncompliance/Material Weakness – Financial Statement Errors

Ohio Rev. Code Section 733.28 states, in part, that the Village Clerk should keep the books of the Village and exhibit accurate statements of all monies received and expended. The Village hired an outside CPA firm to prepare its 2014 and 2013 regulatory basis financial statements utilizing the Village's accounting system records. The Village's financial reports for 2014 and 2013 contained misstatements which resulted in reclassifications and adjustments to correctly report the financial activity during the period as follows:

2014 General Fund

- The payments for the Village's police car loan were reported as capital outlay disbursements in the amount of \$9,568. A reclassification was made to properly report principal payments of \$8,361 and interest payments of \$1,207.
- **Auditor of State Bulletin 2011-004** states that when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund as it is the only fund with a positive unassigned fund balance. The Village failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent fiscal year in the amount of \$171,466. These amounts should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.

2014 Special Revenue Funds

- The OPERS credits in the Police Levy Fund in the amount of \$4,299 were reclassified from intergovernmental receipts to miscellaneous receipts.

2014 Enterprise Fund

- The payments for the Village's truck lease were reported in the Water Fund as capital outlay in the amount of \$15,429. A reclassification was made to properly report principal payments of \$14,850 and interest payments of \$579.

2014 Agency Fund

- The Village established a Mayor's Court Bond account during 2014 but did not report the activity on the financial statements. The ending cash fund balance was understated by \$1,400; fines, licenses, and permits receipts were understated by \$2,600; and bond payments disbursements were understated by \$1,200.

2013 General Fund

- The Village obtained loan financing to purchase a new police cruiser, but the Village did not record this activity on the financial statements or in its accounting records. Capital outlay disbursements and other debt proceeds were understated by \$44,281.
- In June 2013, the Village received the restitution payment in the amount of \$54,023 from the previous Clerk-Treasurer for the theft in office that was committed in a previous audit period. The Village recorded this receipt as a miscellaneous receipt, and a reclassification was made to report this receipt as a special item for payment of restitution.

**FINDING NUMBER 2014-001
(Continued)**

- **Auditor of State Bulletin 2011-004** states that when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund as it is the only fund with a positive unassigned fund balance. The Village failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent fiscal year in the amount of \$269,004. These amounts should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.

2013 Special Revenue Funds

- The Village's accounting system allows fund balance adjustments to be posted only as receipts or disbursements. In the previous audit period, a fund balance adjustment of (\$42,390) was required to be made for the Police Levy Fund. The Village's 2012 audited financial statements were properly adjusted to reflect this adjustment. The Village reported this item in its accounting under intergovernmental receipts. When the 2013 financial statements were prepared, an adjusting journal entry to remove this transaction was made to increase miscellaneous receipts instead of intergovernmental receipts. As a result, miscellaneous receipts were overstated by \$42,390 and intergovernmental receipts were understated by \$42,390.
- The OPERS credits in the Police Levy Fund in the amount of \$50,000 were reclassified from intergovernmental receipts to miscellaneous receipts.

2013 Enterprise Fund

- The payments for the Village's truck lease were reported in the Water Fund as capital outlay in the amount of \$15,429. A reclassification was made to properly report principal payments of \$14,292 and interest payments of \$1,137.

The adjustments and reclassifications above are reflected in the accompanying financial statements.

The following misstatements were not adjusted in the accompanying financial statements:

- In the Mayor's Court Agency Fund for 2013, fines, licenses, and permits receipts were understated by \$189. Additionally, contractual services disbursements were understated by \$429, which resulted in the ending fund cash balance being overstated by \$240. These misstatements are less than one percent of total Agency Fund cash receipts and cash disbursements.
- In the Mayor's Court Agency Fund for 2014, beginning fund cash balance and contractual services disbursements were overstated by \$240, and fines, licenses, and permits receipts and contractual services disbursements were overstated by \$650. These misstatements are less than one percent of total Agency Fund cash receipts and cash disbursements.
- In the General Fund for 2014, an OPERS credit was not properly posted in that it was netted out against disbursements. As a result, security of persons and property disbursements and miscellaneous receipts were understated by \$2,002. These misstatements are less than one percent of total General Fund cash receipts and cash disbursements.

The Village should develop and implement procedures to verify accurate recordkeeping of all its activities. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost, or stolen. Additionally, independent detailed reviews should be performed over the Village's accounting records as means of providing for their accuracy.

**FINDING NUMBER 2014-001
(Continued)**

Officials' Response:

While the Village acknowledges the reclassifications made within the financial statements, we feel it is important to emphasize the audit only reclassified cash receipts and disbursements from one line to another line item within the same fund. There were no adjustments which affected the ending cash balance of any of the Village funds nor did the audit question the completeness of the Village's accounting records or amounts reported within the financial statements. The Village will continue to work towards ensuring transactions are recorded in the manner the auditors deem appropriate in subsequent years.

FINDING NUMBER 2014-002

Noncompliance – Negative Fund Balances

Ohio Rev. Code Section 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund has been established. The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance. The Village's Special Revenue Grant Fund reported a negative fund balance of \$135,000 at December 31, 2014 and \$147,764 at December 31, 2013.

The Village should develop and implement procedures to monitor fund cash balances and also consider the reduction of disbursements, if possible, to avoid negative balances. When expenditures are anticipated to temporarily exceed available resources, the Village should consider an advance from the General Fund. The Village should refer to Auditor of State Bulletin 97-003 for guidance on the accounting treatment and approval process for advances.

Officials' Response:

The negative cash balance in question resulted from questionable acts committed prior to 2012 regarding how debt repayments were handled. As it was the Village's intention to repay the debt over a significant period of time, the repayment of this deficit fund balance will take a significant period of time to resolve itself. The Village is committed to making transfers to that particular fund to resolve the deficit as resources are available within the general fund.

FINDING NUMBER 2014-003

Significant Deficiency – Bank Reconciliations

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide reasonable assurance that all receipts and expenditures have been correctly posted on the entity's books and have been correctly posted by the bank. Additionally, reconciliations provide the entity with a picture of its financial position at month-end. Monthly bank balance to book balance reconciliations were not performed timely during 2013 or 2014, and the Village hired an outside CPA firm to help reconcile the books.

At December 31, 2013 and 2014, the Village reported \$11,392 in reconciling items that should not have been part of the reconciliation as the Village could not determine what the items were, or whether they cleared the bank or should have been voided.

**FINDING NUMBER 2014-003
(Continued)**

Additionally, the Village did not report \$1,400 in a Mayor's Court Bond account on the Agency Fund financial statements at December 31, 2014. This account was opened during 2014. This misstatement also resulted in Agency Fund cash receipts and cash disbursements being understated by \$2,600 and \$1,200, respectively. The financial statements have been adjusted for this item.

The Village should perform timely and accurate monthly bank reconciliations and verify that supporting documentation for reconciliation items is maintained to provide accurate and timely financial information. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions, as well as bank errors going unnoticed. Additionally, independent detailed reviews of these reconciliations should be performed as a means of providing for their accuracy.

Officials' Response:

The Village continued to address issues throughout 2014 which resulted from the errors and intentional acts of the previous Clerk in 2012 and prior. As the accounting records were recreated for 2011 and 2012, the Village deemed it prudent to take a cautious approach and wait for the 2012 audit to be completed before making necessary changes to the cash journal. The necessary corrections have been made to the cash journal balances and cash reconciliations will be performed timely and reviewed as appropriate during subsequent years.

**VILLAGE OF ENON
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code Section 149.351(A) – Destruction of records	Yes	
2012-002	Ohio Rev. Code Section 733.28 – Failure to properly maintain books of the Village and exhibit accurate statements	No	Repeated as Finding Number 2014-001
2012-003	Ohio Rev. Code Section 5705.10(I) – Negative fund balances	No	Repeated as Finding Number 2014-002
2012-004	Ohio Rev. Code Section 5705.41(D)(1) – Proper encumbering of cash disbursements	Yes	
2012-005	Material Weakness – Bank reconciliation deficiencies	No	Repeated as a Significant Deficiency as Finding Number 2014-003

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VILLAGE OF ENON

CLARK 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
DECEMBER 1, 2015**