



Dave Yost • Auditor of State

VILLAGE OF CECIL
PAULDING COUNTY

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Dave Yost • Auditor of State

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

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 an 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 adverse 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 20, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cecil, Paulding County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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(A) mandates 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows, where applicable, 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 as of December 31, 2011 and 2010 of the Village of Cecil, Paulding County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2012, 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.



Dave Yost
Auditor of State

July 20, 2012

**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, 2011**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|--|-----------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$2,402 | | | \$2,402 |
| Municipal Income Tax | 13,531 | | | 13,531 |
| Intergovernmental | 13,273 | \$8,490 | \$15,000 | 36,763 |
| Charges for Services | 200 | | | 200 |
| Fines, Licenses and Permits | 733 | | | 733 |
| Earnings on Investments | 22 | 9 | | 31 |
| Miscellaneous | 79 | | | 79 |
| <i>Total Cash Receipts</i> | <u>30,240</u> | <u>8,499</u> | <u>15,000</u> | <u>53,739</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 1,396 | | | 1,396 |
| Public Health Services | 69 | | | 69 |
| Leisure Time Activities | 331 | | | 331 |
| Transportation | | 6,858 | | 6,858 |
| General Government | 18,220 | 1,500 | | 19,720 |
| Capital Outlay | | | 15,000 | 15,000 |
| Debt Service: | | | | |
| Principal Retirement | 4,986 | | | 4,986 |
| Interest and Fiscal Charges | 2,213 | | | 2,213 |
| <i>Total Cash Disbursements</i> | <u>27,215</u> | <u>8,358</u> | <u>15,000</u> | <u>50,573</u> |
| <i>Excess of Cash Receipts Over Cash Disbursements</i> | <u>3,025</u> | <u>141</u> | | <u>3,166</u> |
| Other Financing Receipts | | | | |
| Sale of Capital Assets | 226 | | | 226 |
| <i>Net Change in Fund Cash Balances</i> | 3,251 | 141 | | 3,392 |
| <i>Fund Cash Balances, January 1</i> | <u>27,285</u> | <u>28,789</u> | <u>3,292</u> | <u>59,366</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 28,930 | | 28,930 |
| Assigned | | | 3,292 | 3,292 |
| Unassigned | 30,536 | | | 30,536 |
| <i>Fund Cash Balances, December 31</i> | <u>\$30,536</u> | <u>\$28,930</u> | <u>\$3,292</u> | <u>\$62,758</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, 2011**

| | <u>Enterprise</u> |
|---|-------------------|
| Operating Cash Receipts | |
| Charges for Services | \$34,827 |
| Fines, Licenses and Permits | 324 |
| | <u>35,151</u> |
| <i>Total Operating Cash Receipts</i> | |
| Operating Cash Disbursements | |
| Personal Services | 4,365 |
| Employee Fringe Benefits | 606 |
| Contractual Services | 16,476 |
| Supplies and Materials | 1,800 |
| | <u>23,247</u> |
| <i>Total Operating Cash Disbursements</i> | |
| <i>Operating Income</i> | <u>11,904</u> |
| Non-Operating Receipts (Disbursements) | |
| Special Assessments | 17,983 |
| Other Debt Proceeds | 6,000 |
| Capital Outlay | (798) |
| Principal Retirement | (21,990) |
| Interest and Other Fiscal Charges | (6,628) |
| Other Financing Uses | (2,000) |
| | <u>(7,433)</u> |
| <i>Total Non-Operating Receipts (Disbursements)</i> | |
| <i>Net Change in Fund Cash Balances</i> | 4,471 |
| <i>Fund Cash Balances, January 1</i> | <u>11,882</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$16,353</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)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|-----------------|--------------------|---------------------|--------------------------------|
| Cash Receipts: | | | | |
| Property and Local Taxes | \$3,399 | \$152 | | \$3,551 |
| Municipal Income Tax | 13,830 | | | 13,830 |
| Intergovernmental | 14,245 | 8,034 | | 22,279 |
| Charges for Services | 250 | | | 250 |
| Fines, Licenses and Permits | 551 | | | 551 |
| Earnings on Investments | 87 | 16 | | 103 |
| Miscellaneous | 556 | | | 556 |
| <i>Total Cash Receipts</i> | <u>32,918</u> | <u>8,202</u> | | <u>41,120</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 2,119 | | | 2,119 |
| Public Health Services | 69 | | | 69 |
| Leisure Time Activities | 442 | | | 442 |
| Community Environment | 581 | | | 581 |
| Basic Utility Service | 293 | | | 293 |
| Transportation | | 5,960 | | 5,960 |
| General Government | 27,387 | 3,844 | | 31,231 |
| Debt Service: | | | | |
| Redemption of Principal | 18,001 | | | 18,001 |
| Interest and Fiscal Charges | 3,072 | | | 3,072 |
| <i>Total Cash Disbursements</i> | <u>51,964</u> | <u>9,804</u> | | <u>61,768</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(19,046)</u> | <u>(1,602)</u> | | <u>(20,648)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>46,331</u> | <u>30,391</u> | <u>\$3,292</u> | <u>80,014</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$27,285</u> | <u>\$28,789</u> | <u>\$3,292</u> | <u>\$59,366</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, 2010**

| | Enterprise |
|---|------------|
| Operating Cash Receipts: | |
| Charges for Services | \$35,119 |
| Fines, Licenses and Permits | \$342 |
| Miscellaneous | 5,448 |
| <i>Total Operating Cash Receipts</i> | 40,909 |
| Operating Cash Disbursements: | |
| Personal Services | 5,050 |
| Employee Fringe Benefits | 726 |
| Contractual Services | 19,089 |
| Supplies and Materials | 6,592 |
| Other | 402 |
| <i>Total Operating Cash Disbursements</i> | 31,859 |
| <i>Operating Income</i> | 9,050 |
| Non-Operating Receipts (Disbursements) | |
| Special Assessments | 14,766 |
| Capital Outlay | (17) |
| Redemption of Principal | (22,496) |
| Interest and Other Fiscal Charges | (2,887) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (10,634) |
| <i>Net Change in Fund Cash Balances</i> | (1,584) |
| <i>Fund Cash Balances, January 1</i> | 13,466 |
| <i>Fund Cash Balances, December 31</i> | \$11,882 |

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, 2011 AND 2010**

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, Ohio (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 provide fire protection services.

The Village participates in the Ohio Government Risk Management Plan, 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. 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.

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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:

OPWC-LTIP-CDBG Fund – This fund received grant proceeds from Paulding County to begin planning of 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 Utility Operating 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.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund function level of control, and appropriations may not exceed estimated resources. The 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

VILLAGE OF CECIL
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

For 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. For December 31, 2011, 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.

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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.

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:

| | | |
|-----------------|----------|----------|
| | 2011 | 2010 |
| Demand deposits | \$79,111 | \$71,248 |

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

| 2011 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$29,590 | \$30,466 | \$876 |
| Special Revenue | 7,315 | 8,499 | 1,184 |
| Capital Projects | | 15,000 | 15,000 |
| Enterprise | 69,850 | 59,134 | (10,716) |
| Total | \$106,755 | \$113,099 | \$6,344 |

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$52,270 | \$27,215 | \$25,055 |
| Special Revenue | 16,500 | 8,358 | 8,142 |
| Capital Projects | 15,000 | 15,000 | |
| Enterprise | 68,525 | 54,663 | 13,862 |
| Total | \$152,295 | \$105,236 | \$47,059 |

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

| 2010 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$27,535 | \$32,918 | \$5,383 |
| Special Revenue | 8,040 | 8,202 | 162 |
| Enterprise | 55,300 | 55,675 | 375 |
| Total | \$90,875 | \$96,795 | \$5,920 |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$62,041 | \$51,964 | \$10,077 |
| Special Revenue | 28,700 | 9,804 | 18,896 |
| Enterprise | 61,817 | 57,259 | 4,558 |
| Total | \$152,558 | \$119,027 | \$33,531 |

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such 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 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.

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt

Debt outstanding at December 31, 2011 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|-------------------------|----------------------|
| Ohio Water Development Authority Loan | \$198,801 | 2% |
| Ohio Water Development Authority Loan | 6,412 | 4% |
| State Bank and Trust Water Casing Loan | <u>6,964</u> | 5% |
| Total | <u><u>\$212,177</u></u> | |

The first Ohio Water Development Authority (OWDA) loan 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, will be 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. Contrary to this agreement, revenues assessed to property owners were not adequate to provide for the payments of this debt obligation to OWDA.

The Village is in the process of making improvements to their storm sewer system. The project is being financed with a loan, through the OWDA. The loan amount has been approved up to \$16,000. As of December 31, 2011, the Village has obtained \$6,400 of the loan amount. A schedule of payments for the loan will be prepared by the Ohio Water Development Authority at the time the project is completed.

The State Bank and Trust loan relates to a water casing project with the expansion of U.S. 24. The loan will be repaid in monthly installments of \$885 including interest, until September of 2012. Payments are made from the Sewer Debt Service or the Sewer Operating Funds. A total amount of \$46,800 was borrowed from The State Bank and Trust Company. The loan is unsecured.

The Village retired a loan with a local bank. The loan relates to a heater for the fire department building in the Village. It was retired in 2011.

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

| Year ending December 31: | <u>OWDA Loan</u> | <u>State Bank and Trust Loan</u> |
|--------------------------|-------------------------|--|
| 2012 | | \$7,097 |
| 2013 | | |
| 2014 | \$4,931 | |
| 2015 | 28,565 | |
| 2016 | 28,565 | |
| 2017-2021 | 142,828 | |
| 2012-2026 | <u>28,566</u> | |
| Total | <u><u>\$233,455</u></u> | <u><u>\$7,097</u></u> |

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Retirement Systems

Elected officials and employees of the Village 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 benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010 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, 2011.

Effective July 1, 1991, all officials and employees not otherwise covered by OPERS have an option to become a member of the Social Security System. As of December 31, 2011, two Council members have elected Social Security. Council's liability is 6.2 percent of wages.

8. Risk Management

Prior to 2009, the Village belonged to 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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

**VILLAGE OF CECIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

| | 2010 | | 2009 | |
|-----------------|--------------------|------------------|--------------------|------------------|
| | OPRM | OPHC | OPRM | OPHC |
| Assets | \$12,036,541 | \$1,355,131 | \$11,176,186 | \$1,358,802 |
| Liabilities | (4,845,056) | (1,055,096) | (4,852,485) | (1,253,617) |
| Members’ Equity | <u>\$7,191,485</u> | <u>\$300,035</u> | <u>\$6,323,701</u> | <u>\$105,185</u> |

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



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Village of Cecil, Paulding County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 20, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011. We also noted 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(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-003 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, 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-004 and 2011-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 20, 2012.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

July 20, 2012

VILLAGE OF CECIL
PAULDING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001

Material Weakness – Recording “On-Behalf-of” Grants

In 2011, the Village was the beneficiary of \$15,000 of Community Development Block Grant (CDBG) money sent directly to the vendor. This activity was not recorded on the ledgers of the Village. Since CDBG 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 and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund.

We recommend the Village record all benefits received from state or federal grants as a memo receipt and expenditure on the Village’s records. 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 2011-002

Material Weakness - Fund Equity Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54 established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

“Restricted” fund balances are established when constraints are placed on the use of resources and 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.

Assigned fund balance includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

The OPWC-LTIP-CDBG Capital Project fund balance of \$3,292 was classified as restricted. There are no longer any external constraints on the use of these monies. Since the Village Council intends to use the remaining amounts for capital projects, the fund balance should be classified as assigned.

An adjustment was recorded to the financial statements to classify the OPWC-LTIP-CDBG Capital Project fund balance as assigned at December 31, 2011.

In order to ensure the Village’s fund balances are reported in accordance with GASB 54, we recommend the Village’s fiscal officer review Auditor of State Bulletin 2011-004.

Officials’ Response:

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

FINDING NUMBER 2011-003

Material Weakness - Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments:

1. In 2010 and 2011, special assessments totaling \$14,766 and \$17,983 respectively, were posted as property tax receipts in the Sewer Special Assessment Debt Fund.
2. In 2010 and 2011, sewer utility fee collections totaling \$7,476 and \$8,340 respectively, were posted as special assessments in the Sewer Utility Operating Fund.
3. In 2011, proceeds of \$6,000 from a new OWDA loan were posted as an Extraordinary Item.

Sound financial reporting is the responsibility of the financial officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Finance Officer and the audit committee, to identify and correct errors and omissions. In addition, the Finance Officer should also review the Uniform Accounting Network's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Officials' Response:

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

FINDING NUMBER 2011-004

Noncompliance Citation

Ohio Water Development Authority (OWDA) Cooperative Agreement for Construction, Maintenance and Operation of Title II Hardship Construction Project §4.3(a) provides the Village will prescribe and charge rates for the services of the sewer system which shall result in revenues at least adequate to provide for payments required to remit its debt obligation payments to OWDA.

Operating Income of \$29,867 and \$23,816 generated in 2011 and 2010, respectively, from sewer charges and assessments were not adequate to provide for payments required to remit the Village's debt obligations of \$32,769 for 2011 and 2010 to the OWDA.

As a result, the Village was not able to meet its debt obligation to the OWDA of \$16,384 which was due January 1, 2012.

We recommend the Village Council review the sewer operations in order to determine if additional rate increases are needed to generate an adequate amount of revenues to provide for its debt obligations to OWDA.

Officials' Response:

We feel the sewer rates currently charged to Village residents are adequate and reasonable based on the average resident's income level. The shortage in revenue stems from a high delinquency rate in collections from the initial sewer assessments and the monthly sewer billings.

FINDING NUMBER 2011-005

Noncompliance Citation

Ohio Water Development Authority (OWDA) Cooperative Agreement for Construction, Maintenance and Operation of Title II Hardship Construction Project §4.3(b) states the Village will furnish the OWDA an annual report of the accounts and operations of the sewer operation.

No such report has been furnished to the OWDA for the 2009, 2010 and 2011 fiscal years.

We recommend the Fiscal Officer annually furnish the required information to the OWDA.

Officials' Response:

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

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VILLAGE OF CECIL
PAULDING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2009-001 | Material Weakness – Due to errors in Financial Reporting. | No | Reissued as Finding 2011-003 in this report. |

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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
AUGUST 09, 2012