



Dave Yost • Auditor of State



VILLAGE OF ENON  
CLARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011 .....	6
Notes to the Financial Statements .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	23

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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 were engaged to audit 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, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 conducting an audit 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. Because of the matter described in the "Basis for Disclaimer of Opinion on Regulatory Basis of Accounting" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Village's financial statements.

### ***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, 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, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

***Basis for Disclaimer of Opinion on Regulatory Basis of Accounting***

We were unable to obtain sufficient evidential matter supporting the amounts recorded as disbursements, and budgetary activity reported in the Notes to the Financial Statements for the years ended December 31, 2012 and 2011 and the classification of governmental fund balances for the year ended December 31, 2011. Consequently, we were unable to obtain sufficient appropriate audit evidence to form an opinion over these amounts.

***Disclaimer of Opinion on Regulatory Basis of Accounting***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on Regulatory Basis of Accounting paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2011 the Village of Enon adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter. Fund Balances were restated at January 1, 2011 to correct prior period errors, see Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, 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

December 2, 2013

**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, 2012**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$148,822	\$193,974	\$342,796
Intergovernmental	69,065	163,382	232,447
Special Assessments	120		120
Charges for Services	1,470		1,470
Fines, Licenses and Permits	44,717	3,233	47,950
Franchise Fees	46,194		46,194
Rental	18,557		18,557
Earnings on Investments	1,429		1,429
Miscellaneous	20,858	5,345	26,203
Total Cash Receipts	<u>351,232</u>	<u>365,934</u>	<u>717,166</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	206,554	376,209	582,763
Leisure Time Activities	20,982		20,982
Transportation		45,698	45,698
General Government	204,000	3,000	207,000
Capital Outlay	97,728	76,077	173,805
Total Cash Disbursements	<u>529,264</u>	<u>500,984</u>	<u>1,030,248</u>
Excess of Receipts Under) Disbursements	<u>(178,032)</u>	<u>(135,050)</u>	<u>(313,082)</u>
<b>Other Financing Receipts:</b>			
Refund of Prior Year Expenditures		46,226	46,226
Total Other Financing Receipts		<u>46,226</u>	<u>46,226</u>
Net Change in Fund Cash Balances	(178,032)	(88,824)	(266,856)
Fund Cash Balances, January 1	<u>514,554</u>	<u>132,020</u>	<u>646,574</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		197,770	197,770
Assigned	45,225		45,225
Unassigned (Deficit)	291,297	(154,574)	136,723
Fund Cash Balances, December 31	<u>\$336,522</u>	<u>\$43,196</u>	<u>\$379,718</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, 2012**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$664,532		\$664,532
Fines, Licenses and Permits		\$62,805	62,805
Miscellaneous	9,383		9,383
Total Operating Cash Receipts	<u>673,915</u>	<u>62,805</u>	<u>736,720</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	166,118		166,118
Employee Fringe Benefits	69,627		69,627
Contractual Services	96,094	51,967	148,061
Supplies and Materials	62,404		62,404
Total Operating Cash Disbursements	<u>394,243</u>	<u>51,967</u>	<u>446,210</u>
Operating Income	<u>279,672</u>	<u>10,838</u>	<u>290,510</u>
<b>Non-Operating Receipts (Disbursements):</b>			
Earnings on Investments	135		135
Capital Outlay	(66,419)		(66,419)
Principal Retirement	(36,611)		(36,611)
Interest and Other Fiscal Charges	(14,698)		(14,698)
Total Non-Operating Receipts (Disbursements)	<u>(117,593)</u>		<u>(117,593)</u>
Net Change in Fund Cash Balances	162,079	10,838	172,917
Fund Cash Balances, January 1	<u>795,306</u>	<u>2,685</u>	<u>797,991</u>
Fund Cash Balances, December 31	<u><u>\$957,385</u></u>	<u><u>\$13,523</u></u>	<u><u>\$970,908</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, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$148,423	\$196,064	\$344,487
Intergovernmental	119,996	189,625	309,621
Special Assessments	496		496
Charges for Services	16,723		16,723
Fines, Licenses and Permits	48,692	3,805	52,497
Franchise Fees	35,228		35,228
Rental	19,245		19,245
Earnings on Investments	370		370
Miscellaneous	5,913	2,740	8,653
Total Cash Receipts	<u>395,086</u>	<u>392,234</u>	<u>787,320</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	154,343	187,798	342,141
Leisure Time Activities	2,161		2,161
Transportation		62,237	62,237
General Government	228,900	783	229,683
Capital Outlay	65,815	173,893	239,708
Total Cash Disbursements	<u>451,219</u>	<u>424,711</u>	<u>875,930</u>
Net Change in Fund Cash Balances	(56,133)	(32,477)	(88,610)
Fund Cash Balances, January 1 (restated)	<u>570,687</u>	<u>164,497</u>	<u>735,184</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		286,594	286,594
Unassigned (Deficit)	514,554	(154,574)	359,980
Fund Cash Balances, December 31	<u>\$514,554</u>	<u>\$132,020</u>	<u>\$646,574</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, 2011**

	<b>Proprietary Fund Types</b>	<b>Fiduciary Fund Types</b>	<b>Totals</b>
	<b>Enterprise</b>	<b>Agency</b>	<b>(Memorandum Only)</b>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$691,232		\$691,232
Fines, Licenses and Permits		\$69,126	69,126
Miscellaneous	272		272
Total Operating Cash Receipts	<u>691,504</u>	<u>69,126</u>	<u>760,630</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	140,546		140,546
Employee Fringe Benefits	55,920		55,920
Contractual Services	99,217	74,309	173,526
Supplies and Materials	49,798		49,798
Total Operating Cash Disbursements	<u>345,481</u>	<u>74,309</u>	<u>419,790</u>
Operating Income (Loss)	<u>346,023</u>	<u>(5,183)</u>	<u>340,840</u>
<b>Non-Operating Receipts (Disbursements):</b>			
Earnings on Investments	370		370
Capital Outlay	(26,389)		(26,389)
Principal Retirement	(35,649)		(35,649)
Interest and Other Fiscal Charges	(15,661)		(15,661)
Total Non-Operating Receipts (Disbursements)	<u>(77,329)</u>		<u>(77,329)</u>
Net Change in Fund Cash Balances	268,694	(5,183)	263,511
Fund Cash Balances, January 1 (restated)	<u>526,612</u>	<u>7,868</u>	<u>534,480</u>
Fund Cash Balances, December 31	<u><u>\$795,306</u></u>	<u><u>\$2,685</u></u>	<u><u>\$797,991</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, 2012 AND 2011**

**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 governmental services, water utilities, roadway maintenance and repair, park operations, and police services. The Village contracts with Mad River Township for fire services.

The Village participates in the Ohio Plan Risk Management, Inc. which is a public entity risk pool. See Note 8 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 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.

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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 Funds:

**VILLAGE OF ENON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Street Construction, Maintenance and Repair Fund** - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

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

**Grants Fund** – This fund reports money expended for the Main Street upgrade project.

**3. Enterprise Fund**

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

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

**4. Fiduciary Funds (Agency Fund)**

Agency funds are purely custodial in nature and are 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 Village's agency fund accounts for the Mayor's Court receipts of 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

**VILLAGE OF ENON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 *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, if any, are reduced first followed by assigned, if any, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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.

**VILLAGE OF ENON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**2. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND CASH BALANCE**

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54 as required. However, no funds were required to be reclassified as required by the revised fund classification guidance which would affect fund balances previously reported.

Subsequent to January 1, 2011, the Village determined that the fund balance previously reported for the General and Agency funds at December 31, 2010 was incorrect. Corrections of these errors totaled \$(4,781) and resulted in the fund balance for the General fund at January 1, 2011 being restated to \$570,687 from \$575,468 previously reported and fund balance in the Agency fund at January 1, 2011 being restated to \$7,868 from \$5,330 previously reported.

**3. 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:

	<b>2012</b>	<b>2011</b>
Demand Deposits	\$1,122,836	\$1,216,948
STAR Ohio	227,790	227,617
Total	<u>\$1,350,626</u>	<u>\$1,444,565</u>

**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.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

<b>2012 Budgeted vs Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 359,000	\$ 351,232	( \$7,768)
Special Revenue	396,100	412,160	16,060
Enterprise	701,000	674,050	(26,950)
Total	<u>\$1,456,100</u>	<u>\$1,437,442</u>	<u>(\$18,658)</u>

<b>2012 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 506,529	\$ 529,264	(\$ 22,735)
Special Revenue	699,584	500,984	198,600
Enterprise	932,399	511,971	420,428
Total	<u>\$2,138,512</u>	<u>\$1,542,219</u>	<u>\$596,293</u>

**VILLAGE OF ENON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

<b>2011 Budgeted vs Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 385,600	\$ 395,086	\$9,486
Special Revenue	399,500	392,234	(7,266)
Enterprise	701,000	691,874	(9,126)
Total	<u>\$1,486,100</u>	<u>\$1,479,194</u>	<u>(\$6,906)</u>

<b>2011 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 515,976	\$ 451,219	\$ 64,757
Special Revenue	440,249	424,711	15,538
Enterprise	829,905	423,180	406,725
Total	<u>\$1,786,130</u>	<u>\$1,299,110</u>	<u>\$487,020</u>

Contrary to Ohio Rev. Code Section 5705.10(I), at December 31, 2012 and 2011, the Village's grant fund had a cash deficit balance of \$154,574. Additionally, the Village did not comply with requirements regarding maintaining books and records, and certifying funds prior to expenditure.

**5. 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.

**6. DEBT**

Debt outstanding at December 31, 2012 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
OWDA Loan - #4000	\$428,128	3.26%
OWDA Loan - #5356	87,199	0.00%
OPWC (A) CK023	32,655	0.00%
OPWC 06 CK16J	22,167	0.00%
Total	<u>\$570,149</u>	

**VILLAGE OF ENON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. DEBT (Continued)**

**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 18 years with final maturity on 7/1/2024. This loan is secured by water receipts.

**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. This loan is secured by water receipts.

**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 semi-annual installments of \$3,266 over 20 years with final maturity on 1/1/2018.

**OPWC 06 CK16J Loan**

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

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

<b>Village of Enon 2012 Financial Statements</b>				
<b>Year</b>	<b>OWDA</b>		<b>OPWC</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 36,219	\$13,704	\$ 7,916	
2014	37,246	12,678	7,916	
2015	38,306	11,617	7,916	
2016	39,402	10,522	7,916	
2017	40,533	9,391	7,916	
2018-2022	220,977	28,542	6,927	
2023-2027	90,186	2,140	6,927	
2028-2030	12,458		1,388	
	<u>\$515,327</u>	<u>\$88,594</u>	<u>\$54,822</u>	<u>\$0</u>

**7. 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.



**VILLAGE OF ENON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. RETIREMENT SYSTEMS (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has not paid all contributions required through December 31, 2012. See Note 9 for description of contingent liability related to retirement contributions.

**8. 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 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.

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Accumulated Surplus	<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](http://www.ohioplan.org).

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

**VILLAGE OF ENON  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**9. CONTINGENT LIABILITIES**

In 2008 it was brought to the attention of the Village that full-time police officers should be members of the Ohio Police and Fire (OP&F) retirement system rather than the Ohio Public Employees Retirement System (OPERS). The Village started to take action to correct this matter in 2012. The Village is currently in the process of moving the employee and Village portions of retirement payments for full-time police employees from OPERS to OP&F. The amounts due to OP&F and from OPERS are uncertain as of December 31, 2012.

As of December 31, 2012, 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.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**10. SUBSEQUENT EVENTS**

The Village contacted the Ohio Bureau of Criminal Investigation (BCI) regarding potentially fraudulent activity in the Village's checking account during 2013. The subsequent investigation by BCI revealed payments made to the account of the Village's former Fiscal Officer in excess of her approved pay. In June 2013, Debra Maurer pleaded guilty to a felony count of theft in office and a third-degree felony count of tampering with evidence. Mrs. Maurer agreed to pay \$54,000 in restitution to the Village in the terms of her plea agreement.



# 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 were engaged to audit the financial statements of the Village of Enon, Clark County (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We did not opine on the regulatory basis financial statements because we were unable to obtain sufficient evidential matter to support the amounts reported as disbursements and budgetary activity reported in the Notes to the Financial Statements for the years ended December 31, 2012 and 2011 and the classification of governmental fund balances for the year ended December 31, 2011. We also noted the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions* and restated fund balances at January 1, 2011.

### ***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 2012-001, 2012-002 and 2012-005 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 2012-001 through 2012-004.

***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

December 2, 2013

**VILLAGE OF ENON  
CLARK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**NONCOMPLIANCE/MATERIAL WEAKNESS**

**Ohio Rev. Code Section 149.351(A)**, states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully. Additionally, **Ohio Rev. Code Section 121.22(C)** states, in part, that minutes of the regular or special meetings of any public office shall be promptly prepared, filed, maintained, and should be open to the public inspection.

The Village was unable to provide the following records to the Auditor of State:

- Minutes for the Council meeting held on August 3, 2011.
- Bank reconciliations for the period January 2011 - March 2012.
- Fifth Third Maxsaver Account Bank Statement for the month of January 2012.
- Budgetary documents for fiscal years 2011 and 2012 including Certificates of Estimated Resources and Approved Appropriations.
- Support for expenditures for the period January 2011 to March 2012 including:
  - Invoices/Supporting Documentation.
  - Village issued Warrants.
  - Employee time cards.
  - Employee check stubs showing gross pay and all deductions.
  - Federal 941 Reports for Quarters 1-4 of 2011 and Quarter #1 of 2012.
- Lease agreements and payment schedules for leases through Fifth Third Bank.
- Purchase Order Status Report for December 31, 2011.
- Bond for Water Clerk in effect from January 2011 - October 2011.
- Bond for Mayor in effect from January 2011 - December 2011.

Due to lack of sufficient audit evidence, we were unable to provide an audit opinion for the following:

- General, Special Revenue and Enterprise fund expenditures.
- Classification of general fund balances at December 31, 2011.
- Budgetary note in the financial statements.
- December 31, 2011 fund balances.

The Village should adopt policies and implement procedures to verify that all documentation is properly maintained. Failure to retain these required public records may result in an incomplete audit trail, create potential problems for future management decisions, and may result in findings for recovery in future audits.

**Official's Response:**

The Village of Enon has a records retention committee and policies which cover the retention of public records. The Village's former Clerk /Treasurer was indicted by the Clark County Grand Jury for one count of Theft in Office and twelve counts of Tampering with Evidence which was a result of her destroying Village records.

**FINDING NUMBER 2012-002**

**NONCOMPLIANCE/MATERIAL WEAKNESS**

**Ohio Rev. Code Section 733.28** requires that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments. Additionally, **Ohio Admin. Code Section 117-2-02(A)**, states, in part, that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, and report the transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village did not maintain accurate financial records during 2011 and 2012. The Village hired a CPA firm to re-create its books using its bank statements for the past two years. Additionally, the Village failed to prepare accurate year-end financial statements for either year. The Village did not have a risk assessment process in place that would have identified the problems in processing and reporting financial information.

The Village's financial reports for 2012 and 2011 contained errors which resulted in reclassifications and adjustments to correctly report the financial activity during the period as follows:

**2012 General Fund**

- Unassigned Fund balance was overstated by \$45,225.
- Assigned Fund balance was understated by \$45,225.

**2012 Special Revenue Fund**

- Intergovernmental Receipts were overstated by \$46,226.
- Refund of Prior Year Expenditures was understated by \$46,226.

**2012 Enterprise Fund**

- Operating Cash Receipts were overstated by \$52,783.
- Ending Fund Balance was overstated by \$52,783.

**2012 Agency Fund**

- Contractual Services Expenditures were understated by \$4,017.
- Beginning Fund Balance was overstated by \$5,304.
- Fines, Licenses and Permits Revenues were understated by \$5,756.
- Ending Fund Cash Balance was overstated by \$3,565.

**2011 General Fund**

- Beginning Fund Cash Balance was understated by \$53,675.
- Ending Fund Cash Balance was understated by \$53,675.

**2011 Enterprise Fund**

- Charges for Services Revenues were overstated by \$796.
- Ending Fund Cash Balance was overstated by \$796.

**2011 Agency Fund**

- Contractual Services Expenditures were understated by \$22,947.
- Beginning Fund Balance was understated by \$2,538.
- Fines, Licenses and Permits Revenues were understated by \$15,105.
- Ending Fund Cash Balance was overstated by \$5,304.

**FINDING NUMBER 2012-002  
(Continued)**

Adjustments and reclassifications to correct the errors above are reflected in the accompanying financial statements. Additionally, the client has recorded the fund balance adjustments in the UAN accounting system. Additionally, there were insignificant revenue and expenditure reclassifications and fund cash balance errors that were identified that were not adjusted or reflected in the accompanying financial statements.

The Village should establish a risk assessment process to identify internal and external events and circumstances that may occur and adversely affect an entity's ability to record, process, summarize and report financial data consistent with management's financial statement assertions. Risk assessment includes:

- Identifying unusual events or transactions, or changes in laws or accounting principles or other financial reporting requirements.
- Analyzing how these events or transactions affect financial reporting.
- If the event or transaction will be recurring, determining modifications to the accounting systems or control activities to help assure properly including and reporting these matters in the financial statements.

Failure to implement risk assessment procedures could result in problems associated with management's financial statement assertions going unnoticed. Further, 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 of these records as means of providing for their accuracy.

**Official's Response:**

The Village will establish a risk assessment procedure to identify potential issues which may adversely affect recording keeping and financial accountability. The Village's former Clerk /Treasurer was indicted by the Clark County Grand Jury for one count of Theft in Office and twelve counts of Tampering with Evidence which was a result of her destroying Village's records.

**FINDING NUMBER 2012-003**

**NONCOMPLIANCE**

**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 \$154,574 at December 31, 2012 and 2011.

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.

**Official's Response:**

The Village will develop and implement procedures to monitor cash fund balances to avoid future negative balances.

## FINDING NUMBER 2012-004

### NONCOMPLIANCE

**Ohio Rev. Code Section 5705.41(D)(1)** states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time 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 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 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.
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to 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. 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.
- C. Super Blanket Certificate** - The Village may also make expenditures and contract 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. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village failed to properly certify sixteen of thirty-one (51.61%) expenditures tested from April 1, 2012 through December 31, 2012.

The Village should implement procedures to verify all transactions are properly encumbered and certified to prevent unnecessary and unauthorized expenditures. 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 that purchase commitments receive prior approval and funds are actually available.

#### **Official's Response:**

The Village will implement procedures to verify that expenditures are encumbered.



## FINDING NUMBER 2012-005

### MATERIAL WEAKNESS – BANK RECONCILIATIONS

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide a 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.

The following issues were noted in regards to the year-end reconciliations performed over the Village's bank accounts:

- The Village did not include two bank accounts - Renters' Deposit and Administrator's Fund with bank balances of \$116,439 and \$3,861 respectively at December 31, 2011 and \$23.72 and \$4,238.38 respectively at December 31, 2012 on the bank reconciliations.
- The Village improperly reported a \$50.00 bank balance for the 5/3 MaxSaver account at December 31, 2012. This account was closed during 2012, prior to year end.
- The Village improperly included a check for \$168 in the outstanding check list at December 31, 2012 even though the check had cleared the bank in August 2012.
- The Village improperly excluded a check for \$67,835 and a deposit in transit for \$4,307 from its December 31, 2011 reconciliation since the check and deposit had not cleared the bank during 2011.
- The Village improperly excluded a check for \$285 from its December 31, 2012 outstanding check list as the check had not cleared the bank during 2012.
- The Village's December 31, 2012 and 2011 bank balances did not reconcile to the cash balances per the financial statements. At December 31, 2011, there was a \$223 variance between the ending cash balance on the financial statements and the reconciled cash balance after the above noted reconciliation inconsistencies and errors were included in the bank reconciliation. The financial statements were not adjusted for this error.
- The Village's bank reconciliations as of December 31, 2012 and 2011 included two checks, dated December 31, 2010, which had not cleared by year end. Checks not cashed within a specified period of time should be considered stale dated, voided and posted to unclaimed funds in accordance with Ohio Rev. Code Section 9.39.

The following issues were noted in regards to the monthly reconciliations performed over the mayor's court bank account:

- The mayor's court maintains a manual ledger for each month showing the beginning balance from the prior month's manual ledger, deposits made during the month, and expenditures required to be made during the month. The mayor's court tried to reconcile to the manual ledger. However, there were variances noted between the manual ledger and the reconciled balance.
- The December 31, 2011 reconciliation improperly included eight payments totaling \$1,037 as outstanding checks.
- The December 31, 2011 reconciliation improperly excluded two deposits in transit totaling \$165.
- The December 31, 2012 reconciliation did not use the proper bank balance as of December 31, 2012. Rather, the reconciliation used the balance as of December 29, 2012 which was \$1,962 greater than the year-end balance.
- The December 31, 2012 outstanding check list did not properly foot and was understated by \$919. Additionally, outstanding checks improperly included nine payments totaling \$9,290 as outstanding checks and excluded three payments totaling \$371 from outstanding checks.
- The December 31, 2012 reconciliation improperly included three payments totaling \$305 as outstanding deposits.

**FINDING NUMBER 2012-005  
(Continued)**

The Village should implement procedures to verify that monthly reconciliations between the bank balances to books are performed over all accounts, including the Mayor's Court account, and are subjected to regular independent reviews. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions and bank errors going unnoticed. Further, the Village and the mayor's court should investigate the source of the variances between final reconciled cash balance and the financial statements and take appropriate action to eliminate these variances. Lastly, the Village should establish and implement procedures which require stale dated checks to be posted to an unclaimed funds account to aid in the monthly cash reconciliation process and to provide accurate financial information to the Council.

**Official's Response:**

The Village's Finance Committee will perform an independent review of monthly reconciliations with bank balances and financial reports. A procedure for dealing with outstanding checks will be implemented

**VILLAGE OF ENON  
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Material Weakness - Failure to properly maintain books of the Village, exhibit accurate statements, and maintain records of all property owned by the Village and income derived	No	Repeated as finding 2012-002
2010-002	<b>Ohio Rev, Code Section 5705.41(B)</b> - Expenditure exceed appropriations	No	See finding 2012-001 Budgetary records not available to perform testing over compliance with Ohio Rev. Code Section 5705
2010-003	<b>Ohio Rev. Code Section 9.38</b> - Failure to make timely deposits	No	Repeated in Management Letter

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# Dave Yost • Auditor of State

**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 26, 2013**