



Mary Taylor, CPA
Auditor of State

VILLAGE OF FLORIDA
HENRY COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Florida
Henry County
305 East High Street
Napoleon, Ohio 43545-9205

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 3, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Florida
Henry County
305 East High Street
Napoleon, Ohio 43545-9205

To the Village Council:

We have audited the accompanying financial statements of the Village of Florida, Henry County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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, 2009 and 2008 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, 2009 and 2008, 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 and reserves for encumbrances of Village of Florida, Henry County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2010, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 3, 2010

**VILLAGE OF FLORIDA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$15,080	\$664		\$15,744
Intergovernmental	11,669	12,398		24,067
Charges for Services	2,555	121		2,676
Earnings on Investments	2,000	378		2,378
Miscellaneous	119	430		549
	31,423	13,991		45,414
Cash Disbursements:				
Current:				
Security of Persons and Property	6,851			6,851
Leisure Time Activities	6,265			6,265
Basic Utility Service	1,671	19,858		21,529
Transportation		5,723		5,723
General Government	19,646			19,646
Capital Outlay			\$161	161
	34,433	25,581	161	60,175
Total Cash Disbursements Over Cash Receipts	(3,010)	(11,590)	(161)	(14,761)
Other Financing Receipts / (Disbursements):				
Transfers-Out	(4,822)			(4,822)
Other Financing Sources		100		100
Other Financing Uses	(171)			(171)
	(4,993)	100		(4,893)
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(8,003)	(11,490)	(161)	(19,654)
Fund Cash Balances, January 1	10,095	66,460	\$161	76,716
Fund Cash Balances, December 31	\$2,092	\$54,970		\$57,062
Reserve for Encumbrances, December 31	\$444			\$444

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

**VILLAGE OF FLORIDA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$167,423		\$167,423
Operating Cash Disbursements:			
Personal Services	26,345		26,345
Employee Fringe Benefits	4,159		4,159
Contractual Services	82,002		82,002
Supplies and Materials	4,575		4,575
Other	88		88
Total Operating Cash Disbursements	117,169		117,169
Operating Income	50,254		50,254
Non-Operating Cash Receipts:			
Special Assessments	40,321		40,321
Miscellaneous Receipts	410		410
Other Non-Operating Cash Receipts		\$16,058	16,058
Total Non-Operating Cash Receipts	40,731	16,058	56,789
Non-Operating Cash Disbursements:			
Redemption of Principal	81,997		81,997
Interest and Other Fiscal Charges	56,481		56,481
Other Financing Uses	942		942
Other Non-Operating Cash Disbursements		16,058	16,058
Total Non-Operating Cash Disbursements	139,420	\$16,058	155,478
Excess of Cash Disbursements Over Cash Receipts Before Interfund Transfers	(48,435)		(48,435)
Transfers-In	4,822		4,822
Net Cash Disbursements Over Cash Receipts	(43,613)		(43,613)
Fund Cash Balances, January 1	304,587		304,587
Fund Cash Balances, December 31	\$260,974		\$260,974
Reserve for Encumbrances, December 31	\$893		\$893

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

**VILLAGE OF FLORIDA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$14,164	\$752		\$14,916
Intergovernmental	16,644	12,392		29,036
Charges for Services	3,830			3,830
Earnings on Investments	5,056	640		5,696
Miscellaneous	758			758
Total Cash Receipts	<u>40,452</u>	<u>13,784</u>		<u>54,236</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	9,612			9,612
Leisure Time Activities	7,194			7,194
Basic Utility Service	1,366	5,950		7,316
Transportation		2,051		2,051
General Government	24,707			24,707
Total Cash Disbursements	<u>42,879</u>	<u>8,001</u>		<u>50,880</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(2,427)</u>	<u>5,783</u>		<u>3,356</u>
Other Financing Receipts / (Disbursements):				
Advances-Out	(368)			(368)
Other Financing Sources	5,137			5,137
Total Other Financing Receipts / (Disbursements)	<u>4,769</u>			<u>4,769</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	2,342	5,783		8,125
Fund Cash Balances, January 1	<u>7,753</u>	<u>60,677</u>	<u>\$161</u>	<u>68,591</u>
Fund Cash Balances, December 31	<u>\$10,095</u>	<u>\$66,460</u>	<u>\$161</u>	<u>\$76,716</u>
Reserve for Encumbrances, December 31	<u>\$79</u>			<u>\$79</u>

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

**VILLAGE OF FLORIDA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$180,106		\$180,106
Operating Cash Disbursements:			
Personal Services	24,840		24,840
Employee Fringe Benefits	4,867		4,867
Contractual Services	106,755		106,755
Supplies and Materials	4,459		4,459
Total Operating Cash Disbursements	140,921		140,921
Operating Income	39,185		39,185
Non-Operating Cash Receipts:			
Special Assessments	38,651		38,651
Other Non-Operating Cash Receipts		\$16,767	16,767
Total Non-Operating Cash Receipts	38,651	16,767	55,418
Non-Operating Cash Disbursements:			
Capital Outlay	2,921		2,921
Redemption of Principal	30,910		30,910
Interest and Other Fiscal Charges	57,753		57,753
Other Financing Uses	5,137		5,137
Other Non-Operating Cash Disbursements		18,044	18,044
Total Non-Operating Cash Disbursements	96,721	18,044	114,765
Excess of Cash Disbursements Over Cash Receipts Before Interfund Advances	(18,885)	(1,277)	(20,162)
Advances-In	368		368
Net Cash Disbursements Over Cash Receipts	(18,517)	(1,277)	(19,794)
Fund Cash Balances, January 1	323,104	\$1,277	324,381
Fund Cash Balances, December 31	\$304,587		\$304,587
Reserve for Encumbrances, December 31	\$161		\$161

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

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Florida, Henry County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and park operations. The Village contracts with the Henry County Sheriff's department to provide security of persons and property. The Village contracts with Richland Township – Jewell Rescue and Flatrock Township to receive fire protection and emergency medical services.

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.

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments 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) which are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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.

State Highway Fund – This fund receives gasoline tax for constructing, maintaining, and repairing state highways.

Permissive Motor Vehicle License Fund – This fund receives motor vehicle tax money for constructing, maintaining, and repairing state highways.

3. Capital Project Funds

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Sanitary Sewer Grant Construction Fund – This fund is used for capital expenses of the sanitary sewer system.

4. Enterprise Funds

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

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

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

5. 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 had the following significant Agency Fund:

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

E. Budgetary Process

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

VILLAGE OF FLORIDA
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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 reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. **Equity in Pooled 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:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$189,334	\$251,958
STAR Ohio	128,702	129,345
Total deposits and investments	<u>\$318,036</u>	<u>\$381,303</u>

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

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

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$31,423	\$31,423
Special Revenue		14,091	14,091
Enterprise		212,976	212,976
Total		\$258,490	\$258,490

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$39,870	(\$39,870)
Special Revenue		25,581	(25,581)
Capital Projects		161	(161)
Enterprise		257,482	(257,482)
Total		\$323,094	(\$323,094)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$45,589	\$45,589
Special Revenue		13,784	13,784
Enterprise		218,757	218,757
Total		\$278,130	\$278,130

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$42,958	(\$42,958)
Special Revenue		8,001	(8,001)
Enterprise		237,803	(237,803)
Total		\$288,762	(\$288,762)

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.

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax (Continued)

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. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds Series 1981	\$82,200	1.50-2.88%
Mortgage Revenue Bonds Series 2006	1,022,898	5.00%
Ohio Water Development Authority Loan	183,789	4.50%
Total	<u>\$1,288,887</u>	

The Mortgage Revenue Bonds Series 1981 were issued for the construction of a municipal waterworks system. The bonds will be repaid in annual installments until 2018. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the United States Department of Agriculture (USDA) debt service requirements.

The Mortgage Revenue Bonds Series 1981 covenant requires the Village to establish and fund a debt service reserve fund, included as an Enterprise fund. The balance in the fund at December 31, 2009 is \$17,609.

The Mortgage Revenue Bonds Series 2006 were issued for the purpose of retiring an interim loan for the purpose of sanitary sewer improvements. The bonds will be repaid in semi-annual installments until 2046. The Village has agreed to set utility rates sufficient to cover the United State Department of Agriculture (USDA debt service requirements.

The Mortgage Revenue Bonds Series 2006 covenant requires the Village to establish and fund a debt service reserve fund, included as an Enterprise fund. The balance in the fund at December 31, 2009 is \$4,636.

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project the Ohio Environmental Protection Agency mandated. The loan will be paid off in 2036.

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

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

Year ending December 31:	Mortgage Revenue Bonds Series 1981	Mortgage Revenue Bonds Series 2006	OWDA Loan
2010	\$12,310	\$65,298	\$8,303
2011	12,400	65,231	8,304
2012	12,465	65,251	8,303
2013	12,405	65,262	8,303
2014	12,425	65,258	8,304
2015-2019	40,395	326,036	41,516
2020-2024		325,831	41,517
2025-2029		325,618	41,517
2030-2034		217,560	41,517
2035-2039		145,559	16,607
2040-2044		145,597	
2045-2046		58,234	
Total	<u>\$102,400</u>	<u>\$1,870,735</u>	<u>\$224,191</u>

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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, 2009.

7. Risk Pool Membership

The Village belongs 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 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. 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 retain 15% 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 over 650 members as of December 31, 2008. The Village participates in this coverage.

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Pool Membership (Continued)

In August, 2007, OGRMP 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 which 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 40 members as of December 31, 2008. The Village does not participate participates 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: 2008 and 2007 (the latest information available), and include amounts for both OPRRM and OPHC:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members’ Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

9. COMPLIANCE

- Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds for the years ended December 31, 2009 and 2008.
- Contrary to Ohio law, the Village did not approve and file appropriations with the County Auditor for the years ended December 31, 2009 and 2008. Therefore, posted appropriations exceeded the legally adopted appropriations in all funds for the years ended December 31, 2009 and 2008.
- Contrary to Ohio law, the Village did not properly post homestead and rollback to the funds prescribed by law.
- Contrary to federal regulations, the Village did not submit a statement of budget, income, and equity to the United States Department of Agriculture (USDA) for 2006 and 2007.

**VILLAGE OF FLORIDA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

9. COMPLIANCE (CONTINUED)

- Contrary to USDA loan agreement, the Village did not charge adequate water rates to meet the requirements for maintaining, repairing, and operating the system, and the retirement of debt.



Mary Taylor, CPA
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 Florida
Henry County
305 East High Street
Napoleon, Ohio 43545-9205

To the Village Council:

We have audited the financial statements of the Village of Florida, Henry County (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 3, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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 opinion 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 and another deficiency that we consider to be a significant deficiency.

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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 2009-005 through 2009-007 described in the accompanying schedule of findings to be material weaknesses.

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 finding 2009-008 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 3, 2010.

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



Mary Taylor, CPA
Auditor of State

May 3, 2010

**VILLAGE OF FLORIDA
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Finding For Recovery Repaid Under Audit

Lyle Heilman, in his capacity as Councilman for the Village of Florida, was entitled to compensation of \$30 per council meeting attended. In 2008, Mr. Heilman received compensation for three meetings he did not attend, and in 2009 he received compensation for one meeting he did not attend. This resulted in an overpayment of \$120 (4 meetings x \$30) to Mr. Heilman.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against Lyle Heilman, Councilman for the Village of Florida, in the amount of \$120 in favor of the Village of Florida General Fund.

Lyle Heilman repaid the Village of Florida the total amount of \$120 on March 15, 2010.

FINDING NUMBER 2009-002

Noncompliance Citation

7 CFR Part 1780.47(f)(2) requires the Village to submit, among other things, a Statement of Budget, Income, and Equity to the United States Department of Agriculture (USDA) prior to the beginning of each fiscal year.

There was no evidence the Village submitted any of the documents required by 7 CFR Part 1780.47(f)(2) to the USDA for 2009 or 2008.

We recommend the Village submit a budget to USDA annually.

FINDING NUMBER 2009-003

Noncompliance Citation

Section 12 of the **1982 Loan Agreement** between the Village and the United States Department of Agriculture (USDA) states the rates the Village prescribes and charges for water utilities shall take into consideration the costs of maintaining, repairing, and operating the system and the amounts necessary for the retirement of debt.

The Village's required debt payments owed to the USDA exceeded the operating revenue by \$3,154 in the Village's water operating fund for 2008. This is an indicator the Village is not charging customers enough to meet its operating expenses and debt payments. This may result in an inability to make future debt payments.

We recommend the Village review its utility rates and operating expenses and take appropriate actions to increase operating income in the water operating fund to avoid sanctions being imposed on the Village by the USDA.

FINDING NUMBER 2009-004

Noncompliance Citation

Ohio Revised Code § 5705.10 states all money paid into any fund shall be used only for the purpose for which such fund is established. Furthermore, this code section requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose.

The Village received Homestead and Rollback payments from the State and did not correctly post these payments to the General Fund in 2009. The following audit adjustment was made to the Village's financial statements and accounting records:

<u>Fund</u>	<u>Year</u>	<u>From</u>	<u>To</u>
Permissive Tax Fund	2009	\$ 1,622	
General Fund	2009		\$ 1,622

Improper reporting of revenue could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly reported in the accounting ledgers so the Council can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process, the Council should review financial records to make sure amounts are properly reflected in the appropriate funds and there are sufficient funds to pay fund obligations.

FINDING NUMBER 2009-005

Noncompliance Citation and Material Weakness

Ohio Revised Code § 5705.38 states on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure.

Ohio Revised Code § 5705.40 provides appropriation measures may be amended or supplemented as long as the amendment or supplement complies with all provisions of law governing the taxing authority in making an original appropriation. This has been interpreted to mean the governing body cannot delegate appropriation authority to the Fiscal Officer.

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Although the Village provided no evidence it passed annual appropriation measures in either 2009 or 2008, the Fiscal Officer posted appropriations totaling \$625,574 in 2009 and \$454,064 in 2008 to the accounting system. Consequently, appropriations were adjusted to zero in all funds. This resulted in expenditures plus outstanding year end encumbrances exceeding appropriations in all funds by \$323,094 in 2009 and \$288,762 in 2008.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored, could result in overspending.

We recommend the Council approve an annual appropriation measure by the first day of each fiscal year and file the appropriation measure with the County Auditor by the required date. The Fiscal Officer should obtain a certificate for appropriations from the County Auditor, as required, so expenditures can be

monitored and compliance with the Ohio Revised Code can be attained. We also recommend the Fiscal Officer only post appropriation measures which have been formally adopted by the Council and documented in the records of the minutes of the Council meetings. The Village should develop procedures to ensure proper posting to the accounting system and financial statements.

The budgetary note to the financial statement has been adjusted to reflect the lack of legally adopted appropriations.

FINDING NUMBER 2009-006

Noncompliance Citation and Material Weakness

Ohio Revised Code § 5705.36 states on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget, and such certified amount shall include any unencumbered balances existing at the end of the preceding year.

There was no evidence of a certificate being certified in 2008. Consequently, the Village did not receive a certificate of estimated resources from the County Budget Commission and Council did not approve estimated resources for 2009 or 2008. Although the Fiscal Officer posted estimated resources of \$263,365 in 2009 and \$287,980 in 2008, there were no legally adopted estimated resources, and therefore amounts were adjusted to zero.

Failure to accurately reflect budgetary figures in the accounting records could result in management basing their decisions on inaccurate information and could possibly result in deficit spending. We recommend the Village file the certificate of amounts from all sources available for expenditures on or about the first day of each fiscal year. We further recommend the estimated resources posted be based on amounts certified by the County Budget Commission. We also recommend the Village develop procedures to ensure proper posting to the accounting system and financial statements.

The budgetary note to the financial statement has been adjusted to reflect the lack of a certificate of estimated resources from the County Budget Commission.

FINDING NUMBER 2009-007

Material Weakness

Monitoring of Financial Activity

Inaccurate posting of transactions impedes the ability of the Council to accurately assess the financial status of the Village. We noted examples such as the following during our audit:

- Debt principal expense and miscellaneous revenue in the Water Operating Fund were both overstated by \$50,000 in 2009.
- Charges for services of \$6,611 in the Sewer Operating Fund were misclassified as special assessments in 2009.
- Miscellaneous receipts were over stated by \$64,905 in the Water Operating Fund due to a bank transfer which was incorrectly posted as a receipt in 2008.

As a result, the financial statements did not correctly reflect the financial activity of the Village. Adjustments ranging from \$24 to \$64,905 were posted to the financial statements, and where applicable,

accounting records to correct these and other errors. In addition, there was no evidence Council was provided or reviewed budget versus actual information of the Village in 2009 and 2008. The review of budget versus actual reports could aid in the detection of errors.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Village Handbook issued by the Auditor of State. Further, Council should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Council to ensure errors and omissions are detected and corrected. We also recommend the Fiscal Officer provide Council with monthly budget versus actual reports printed from the Uniform Accounting Network (UAN) system. The review and approval of these reports should be documented in the minutes and on the actual documents.

FINDING NUMBER 2009-008

Significant Deficiency

Cash Reconciliations

Prior to the closing out the general ledger records each month, the bank account balances should be reconciled to the general ledger fund balances. This procedure is an important method of detecting errors in the general ledger postings and bank account records. After this procedure is completed, any errors found should be immediately corrected, general ledger records closed, and month end financial information generated by the Fiscal Officer's office.

The STAR Ohio accounts were not reconciled during 2008 and 2009. In addition, the Village had several unexplained adjusting factors in order to get the Henry County Bank account to reconcile to the book balance each month during the audit period. This caused errors to go undetected by the Village and resulted in the December 31, 2009 book balance to be understated by a net amount of \$496. We also noted the outstanding check lists were incorrect from September 2009 through December 2009. The outstanding checks were under stated by as much as \$2,993 as of September 30, 2009 which was 70% of the total outstanding checks. This has the potential to cause material unreconciled differences to occur without detection by management. The financial statements have been adjusted to reflect these errors.

We recommend the Fiscal Officer present evidence to Council to prove all the bank account balances have been reconciled to the to the general ledger fund balance without adjusting factors on the reconciliation. In addition, the Audit Committee should periodically verify items appearing on the monthly bank reconciliation, including, but not limited, to authentication of outstanding checks and deposits in transit.

Official's Response: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF FLORIDA
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Village of Florida Resolution 00-03 regarding the transfer of interest to Enterprise Funds	Yes	
2007-002	Ohio Revised Code § 5705.42 regarding accounting for funds spent on behalf of the Village	Yes	
2007-003	Ohio Revised Code § 5705.39 for appropriations exceeding estimated resources.	Yes	
2007-004	Ohio Revised Code § 5705.40 for posting appropriations which were not approved by the Village Council and filed with the County Auditor.	No	Repeated as Finding 2009-005 in this report.
2007-005	Ohio Revised Code § 5705.41(B) for expenditures exceeding appropriations.	No	Repeated as Finding 2009-005 in this report.
2007-006	Ohio Revised Code § 5705.41(D)(1) for not properly certifying expenditures.	Yes	
2007-007	Ohio Revised § 5705.38 for not passing appropriations and filing with the County Auditor.	No	Repeated as Finding 2009-005 in this report.

Village of Florida
Henry County
Schedule of Prior Audit Findings
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2007-008	7 CFR Part 1780.47(f)(2) for not submitting a statement of budget, income, and equity with the United States Department of Agriculture (USDA).	No	Repeated as Finding 2009-002 in this report.
2007-009	Ohio Water Development Authority (OWDA) Loan Agreement 4258 § 4.3 for not furnishing the Ohio Water Development Authority (OWDA) with annually reports of the operation and income of the system.	Yes	
2007-010	United State Department of Agriculture (USDA) 1982 Loan Agreement § 12 for not prescribing and charging such rates as adequate to meet the requirements for maintaining, repairing, and operating of the water system and the retirement of debt.	No	Repeated as Finding 2009-003, in this report.
2007-011	Recommendation regarding the reconciliation of bank accounts.	No	Repeated as Finding 2009-008 in this report.
2007-012	Recommendation regarding the monitoring of financial statements.	No	Repeated as Finding 2009-007 in this report.
2007-013	Recommendation regarding the posting of estimated resources should match the amount certified by the County Auditor.	No	Repeated as Finding 2009-006 in this report.



Mary Taylor, CPA
Auditor of State

VILLAGE OF FLORIDA

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 20, 2010