



***VILLAGE OF MOWRYSTOWN
HIGHLAND COUNTY***

Regular Audit

**For the Years Ended
December 31, 2017 and 2016**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



OHIO AUDITOR OF STATE KEITH FABER



Village Council
Village of Mowrystown
50 Maple Street
P.O. Box 25
Mowrystown, Ohio 45155

We have reviewed the *Independent Auditor's Report* of the Village of Mowrystown, Highland County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Mowrystown is responsible for compliance with these laws and regulations.

Ohio Auditor of State

A handwritten signature in black ink that reads "Keith Faber".

January 14, 2019

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VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY

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Independent Auditor's Report

Village Council
Village of Mowrystown, Highland County
50 Maple Street
Mowrystown, OH 45155

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Mowrystown, Highland County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Mowrystown, Highland County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 21, 2018 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

August 21, 2018

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Property and Local Taxes	\$26,090	\$21,721	\$47,811
Intergovernmental	27,789	25,019	52,808
Fines, Licenses, and Permits	10,328	10	10,338
Miscellaneous	2,673	3,125	5,798
Total Cash Receipts	<u>66,880</u>	<u>49,875</u>	<u>116,755</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	33,097	240	33,337
Security of Persons and Property	10,145	30,736	40,881
Basic Utility Services	22,328	0	22,328
Transportation	0	25,336	25,336
Total Cash Disbursements	<u>65,570</u>	<u>56,312</u>	<u>121,882</u>
Cash Receipts Over/(Under) Cash Disbursements	1,310	(6,437)	(5,127)
Fund Cash Balances, January 1	<u>5,385</u>	<u>152,930</u>	<u>158,315</u>
Restricted	0	146,012	146,012
Committed	0	481	481
Assigned	6,635	0	6,635
Unassigned	60	0	60
<i>Fund Cash Balances, December 31</i>	<u><u>\$6,695</u></u>	<u><u>\$146,493</u></u>	<u><u>\$153,188</u></u>

See accompanying notes to the financial statements.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2017

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Totals</u>
<u>Operating Cash Receipts:</u>			
Charges for Services	\$164,963	\$0	\$164,963
Total Operating Cash Receipts	<u>164,963</u>	<u>0</u>	<u>164,963</u>
<u>Operating Cash Disbursements:</u>			
Personal Services	8,400	0	8,400
Employee Fringe Benefits	715	0	715
Contractual Services	12,275	0	12,275
Supplies and Materials	4,971	0	4,971
Other	93,080	0	93,080
Total Operating Cash Disbursements	<u>119,441</u>	<u>0</u>	<u>119,441</u>
Operating Income (Loss)	45,522	0	45,522
<u>Non-Operating Cash Disbursements:</u>			
Redemption of Principal	(26,027)	0	(26,027)
Interest and Other Fiscal Charges	(30,496)	0	(30,496)
Other Non-Operating Cash Disbursements	(393)	(323)	(716)
Total Non-Operating Cash Disbursements	<u>(56,916)</u>	<u>(323)</u>	<u>(57,239)</u>
Net Receipts Over/Under Disbursements	(11,394)	(323)	(11,717)
Fund Cash Balances, January 1	<u>23,086</u>	<u>3,064</u>	<u>26,150</u>
Fund Cash Balances, December 31	<u><u>\$11,692</u></u>	<u><u>\$2,741</u></u>	<u><u>\$14,433</u></u>

See accompanying notes to the financial statements.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Mowrystown, Highland County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council and a publicly elected Mayor.

The Village provides general government services, police services and park maintenance.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Village's financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

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:

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources, except those required by law or contracted to be restricted.

Special Revenue Funds: These funds are used to account for proceeds from specific sources (other than trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund – This fund receives gasoline tax, motor vehicle license tax for constructing, maintaining and repairing Village Streets.

Police Levy Fund – This fund receives tax money to provide police protection services to the Village.

Enterprise Funds: These funds are used to account for any activities for which a fee is charged to external users for goods or services. The Village has the following significant Enterprise Funds:

Sewer Fund -This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Debt Fund -This fund receives is used to account for the debt obtained to finance the Sewer System.

Agency Funds: These funds are used to account for custodial funds held by the Village acting as an agent for another government, organization, individual, or fund. The Village has the following significant agency fund:

Mayor's Court Fund – This agency fund is used to account for the activities of the Mayor's Court.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

The Ohio Revised Code requires that each Village fund, except Agency Funds, be budgeted annually.

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 Highland County Budget Commission must also approve the annual appropriation measure. Appropriations may not exceed estimated resources. Unencumbered appropriations lapse at year end.

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

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

A summary of 2017 budgetary activity appears in Note 3.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Fund Balances

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:

Nonspendable: The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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.

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.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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

Note 3 – Budgetary Basis of Accounting

The Village’s budgetary activity for the years ending December 31, 2017 was as follows:

2017 Budgeted vs. Actual Receipts			
Receipts			
Fund Type	Budgeted	Actual	Variance
General	\$64,961	\$66,880	\$1,919
Special Revenue	40,242	49,875	9,633
Enterprise	198,041	164,963	(33,078)
<i>Total</i>	\$303,244	\$281,718	(\$21,526)

2017 Budgeted vs. Actual Budgetary Disbursements			
Budgetary			
Fund Type	Appropriation Authority	Disbursements	Variance
General	\$70,346	\$65,570	\$4,776
Special Revenue	193,172	56,312	136,860
Enterprise	221,127	176,357	44,770
<i>Total</i>	\$484,645	\$298,239	\$186,406

Note 4 – Cash and Investments

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of cash at year end was as follows:

December 31, 2017	
Demand Deposits	\$167,621
Total	\$167,621

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution’s public entity deposit pool.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 5- Property Taxes

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 area 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. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 6 – Risk Management

Workers’ Compensation coverage is provided by the State of Ohio. The Village pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive Property and General Liability;
- Vehicles; and
- Errors and Omissions.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees 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. 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, 2017.

<u>Retirement Rates</u>	<u>Year</u>	<u>Member Rate</u>	<u>Employer Rate</u>
OPERS - Local	2012-2017	10%	14%

Social Security

The Village’s elected council members contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2017.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefits postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualified benefit recipients. OPERS contributes 1 percent of the employer contributions to fund these benefits.

Note 9- Long-Term Obligations

A schedule of changes in long-term obligations of the Village during 2017 follows:

	Interest Rate	Principal Balance 12-31-16	Issued in 2017	Retired in 2017	Principal Balance 12-31-17
Wastewater System Mortgage Revenue Bonds	4.13%	\$681,794	\$0	\$10,631	\$671,163
Ohio Water Development Authority Loan	1.00%	239,669	0	9,791	229,878
Ohio Public Works Commission Loan	0.00%	145,695	0	5,605	140,090
		<u>\$1,067,158</u>	<u>\$0</u>	<u>\$26,027</u>	<u>\$1,041,131</u>

The wastewater system mortgage revenue bonds were issued June 13, 2008 in the total amount of \$753,000 to pay an Ohio Water Development Authority Loan used to finance the installation of a wastewater collection system in the Village. The revenue of the Village’s sewer utility has been pledged to repay the debt. As required by the bond covenant, the Village has established and funded the Sewer Reserve Fund. As of December 31, 2017 the Sewer Reserve Fund balance was \$539.

The Ohio Water Development Authority (OWDA) loan was obtained for construction of the new wastewater collection system. This loan is to be paid in semiannual installments over 30 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission loan is also for construction of the new wastewater collection system. The Village will repay the loans in semiannual installments over 20 years. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization of the above obligations, including interest, is scheduled as follow:

	Mortgage Revenue	OWDA Loan	OPWC Loan
2018	\$38,754	\$12,163	\$16,810
2019	38,755	12,163	11,207
2020	38,829	12,163	11,207
2021	38,754	12,163	11,207
2022	38,755	12,164	11,207
2023-2027	193,840	60,818	56,040
2028-2032	193,887	60,816	22,412
2033-2037	193,817	60,817	0
2038-2042	193,806	12,155	0
2043-2047	193,794	0	0
2048-2050	39,258	0	0
Total	<u>\$1,202,249</u>	<u>\$255,422</u>	<u>\$140,090</u>

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 10 – Public entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 11 – Fund Cash Balances

As of December 31, 2017, fund balances are composed of the following:

	General	Special Revenue	Total
<i>Restricted:</i>			
Police Operations	\$0	\$13,773	\$13,773
Road Maintenance & Improvement	0	132,239	132,239
<i>Committed:</i>			
Court	0	481	481
<i>Assigned:</i>			
Future Appropriations	6,635		6,635
<i>Unassigned</i>	60	0	60
Total	\$6,695	\$146,493	\$153,188

Note 12 – Contingent Liabilities

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.

Note 13 – Compliance

The Village did not authorize or certify tax levies to the County Auditor as required by Ohio Rev. Code Section 5705.34.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2016

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Property and Local Taxes	\$19,835	\$18,276	\$38,111
Intergovernmental	27,888	24,061	51,949
Fines, Licenses, and Permits	2,822	120	2,942
Miscellaneous	2,144	560	2,704
Total Cash Receipts	<u>52,689</u>	<u>43,017</u>	<u>95,706</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	33,274	686	33,960
Security of Persons and Property	0	24,478	24,478
Basic Utility Services	19,000	0	19,000
Transportation	0	8,836	8,836
Total Cash Disbursements	<u>52,274</u>	<u>34,000</u>	<u>86,274</u>
Cash Receipts Over/(Under) Cash Disbursements	415	9,017	9,432
Fund Cash Balances, January 1	<u>4,970</u>	<u>143,913</u>	<u>148,883</u>
Restricted	0	152,219	152,219
Committed	0	711	711
Assigned	5,385	0	5,385
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,385</u></u>	<u><u>\$152,930</u></u>	<u><u>\$158,315</u></u>

See accompanying notes to the financial statements.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2016

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Totals</u>
<u>Operating Cash Receipts:</u>			
Charges for Services	\$136,312	\$0	\$136,312
Total Operating Cash Receipts	136,312	0	136,312
<u>Operating Cash Disbursements:</u>			
Personal Services	8,278	0	8,278
Employee Fringe Benefits	1,297	0	1,297
Contractual Services	13,639	0	13,639
Supplies and Materials	13,531	0	13,531
Other	55,275	0	55,275
Total Operating Cash Disbursements	92,020	0	92,020
Operating Income (Loss)	44,292	0	44,292
<u>Non-Operating Cash Receipts:</u>			
Other Non-Operating Cash Receipts	0	3,783	3,783
Total Non-Operating Cash Receipts	0	3,783	3,783
<u>Non-Operating Cash Disbursements:</u>			
Redemption of Principal	(31,111)	0	(31,111)
Interest and Other Fiscal Charges	(31,015)	0	(31,015)
Other Non-Operating Cash Disbursements	(511)	(2,982)	(3,493)
Total Non-Operating Cash Disbursements	(62,637)	(2,982)	(65,619)
Net Receipts Over/Under Disbursements	(18,345)	801	(17,544)
Fund Cash Balances, January 1	41,431	2,263	43,694
<i>Fund Cash Balances, December 31</i>	<u><u>\$23,086</u></u>	<u><u>\$3,064</u></u>	<u><u>\$26,150</u></u>

See accompanying notes to the financial statements.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Mowrystown, Highland County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council and a publicly elected Mayor.

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Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

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Mayor's Court Fund – This agency fund is used to account for the activities of the Mayor's Court.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

The Ohio Revised Code requires that each Village fund, except Agency Funds, be budgeted annually.

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 Highland County Budget Commission must also approve the annual appropriation measure. Appropriations may not exceed estimated resources. Unencumbered appropriations lapse at year end.

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

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

A summary of 2016 budgetary activity appears in Note 3.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Fund Balances

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:

Nonspendable: The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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.

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.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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

Note 3 – Budgetary Basis of Accounting

The Village’s budgetary activity for the years ending December 31, 2016 was as follows:

2016 Budgeted vs. Actual Receipts			
Receipts			
Fund Type	Budgeted	Actual	Variance
General	\$58,239	\$52,689	(\$5,550)
Special Revenue	41,206	43,017	1,811
Enterprise	196,531	136,312	(60,219)
<i>Total</i>	\$295,976	\$232,018	(\$63,958)

2016 Budgeted vs. Actual Budgetary Disbursements			
Budgetary			
Fund Type	Appropriation Authority	Disbursements	Variance
General	\$63,209	\$52,274	\$10,935
Special Revenue	185,119	34,000	151,119
Enterprise	237,960	154,657	83,303
<i>Total</i>	\$486,288	\$240,931	\$245,357

Note 4 – Cash and Investments

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of cash at year end was as follows:

December 31, 2017	
Demand Deposits	\$184,465
Total	\$184,465

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution’s public entity deposit pool.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016

Note 5- Property Taxes

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 area 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. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 6 – Risk Management

Workers’ Compensation coverage is provided by the State of Ohio. The Village pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive Property and General Liability;
- Vehicles; and
- Errors and Omissions.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees 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. 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, 2016.

Retirement Rates	Year	Member Rate	Employer Rate
OPERS - Local	2012-2017	10%	14%

Social Security

The Village’s elected council members contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefits postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualified benefit recipients. OPERS contributes 1 percent of the employer contributions to fund these benefits.

Note 9- Long-Term Obligations

A schedule of changes in long-term obligations of the Village during 2016 follows:

	Interest Rate	Principal Balance 12-31-15	Issued in 2016	Retired in 2016	Principal Balance 12-31-16
Wastewater System Mortgage Revenue Bonds	4.13%	\$692,003	\$0	\$10,209	\$681,794
Ohio Water Development Authority Loan	1.00%	249,363	0	9,694	239,669
Ohio Public Works Commission Loan	0.00%	156,903	0	11,208	145,695
		<u>\$1,098,269</u>	<u>\$0</u>	<u>\$31,111</u>	<u>\$1,067,158</u>

The wastewater system mortgage revenue bonds were issued June 13, 2008 in the total amount of \$753,000 to pay an Ohio Water Development Authority Loan used to finance the installation of a wastewater collection system in the Village. The revenue of the Village's sewer utility has been pledged to repay the debt. As required by the bond covenant, the Village has established and funded the Sewer Reserve Fund. As of December 31, 2016 the Sewer Reserve Fund balance was \$539.

The Ohio Water Development Authority (OWDA) loan was obtained for construction of the new wastewater collection system. This loan is to be paid in semiannual installments over 30 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission loan is also for construction of the new wastewater collection system. The Village will repay the loans in semiannual installments over 20 years. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization of the above obligations, including interest, is scheduled as follow:

	Mortgage Revenue	OWDA Loan	OPWC Loan
2017	\$38,754	\$12,163	\$11,207
2018	38,754	12,163	11,207
2019	38,755	12,163	11,207
2020	38,829	12,163	11,207
2021	38,754	12,163	11,207
2022-2026	193,841	60,815	56,040
2027-2031	193,833	60,815	33,620
2032-2036	193,871	60,815	0
2037-2041	193,806	24,325	0
2042-2046	193,793	0	0
2047-2048	78,013	0	0
Total	<u>\$1,241,003</u>	<u>\$267,585</u>	<u>\$145,695</u>

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016

Note 10 – Public entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 11 – Fund Cash Balances

As of December 31, 2016, fund balances are composed of the following:

	General	Special Revenue	Total
<i>Restricted:</i>			
Police Operations	\$0	\$15,351	\$15,351
Road Maintenance & Improvement	0	136,868	136,868
<i>Committed:</i>			
Court	0	711	711
<i>Assigned:</i>			
Future Appropriations	5,385		5,385
Total	\$5,385	\$152,930	\$158,315

Note 12 – Contingent Liabilities

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.

Note 13 – Compliance

The Village did not authorize or certify tax levies to the County Auditor as required by Ohio Rev. Code Section 5705.34.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards***

Village of Mowrystown
Highland County
50 Maple Street
Mowrystown, OH 45155

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by the fund type of the Village of Mowrystown, Highland County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated August 21, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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.

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 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2017-001 and 2017-003 to be a material weakness.

Village Council
Village of Mowrystown, Highland County
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2017-002.

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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

August 21, 2018

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Schedule of Findings
For the Years Ended December 31, 2017 and 2016

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

Finding Number 2017-001

Financial Record Keeping - Material Weakness

Ohio Rev. Code Section 733.28 provides, in part, that the Village Clerk shall keep the books of the Village and exhibit accurate statements of all monies received and expended.

The Village did not properly post the following transactions to the proper account codes, and therefore reported materially incorrect account classifications in the Village's annual financial report:

In 2016:

- General Fund intergovernmental revenue of \$1,981 misposted as property tax revenue;
- General Fund assigned fund balance of \$5,385 was reclassified to unassigned fund balance;
- Fire Fund intergovernmental revenue of \$3,667 misposted as property tax;
- Debt Retirement Fund to reclassify interest payments of \$7,791 misposted as principal;
- Debt Retirement Fund to reclassify interest payments of \$15,754 misposted as operating disbursements;
- Sewer Operating Fund to correctly record receipt at gross of \$511;
- Sewer Operating Fund to reclassify principal of \$20,902 and interest payments of \$2,470 misposted as operating disbursements – supplies & materials;
- Mayor's Court Fund other non-operating receipts of \$3,784 was unrecorded;
- Mayor's Court Fund other non-operating disbursements of \$2,982 was unrecorded.

In 2017:

- General Fund intergovernmental revenue of \$1,850 misposted as property tax and other revenue;
- General Fund assigned fund balance of \$6,635 was reclassified to unassigned fund balance;
- General Fund fines of \$10,070 misposted as charges for services;
- General Fund security of persons and property of \$10,145 misposted as leisure time activities;
- Fire Fund intergovernmental revenue of \$3,567 misposted as property tax and other revenue;
- Sewer Operating Fund to correctly record receipt at gross of \$393;
- Sewer Operating Fund to reclassify principal of \$4,908 and interest payments of \$1,174 misposted as operating disbursements – supplies & materials;
- Sewer Operating Fund to reclassify interest of \$29,322 misposted as principal;
- Sewer Operating Fund to reduce other expense of \$18,425 posted in Street Fund;
- Mayor's Court Fund other non-operating disbursements of \$323 was unrecorded.

The audited financial statements have been adjusted for the issues noted above.

Additionally, the Village classified the Sewer Debt Fund as a Debt Service Fund type and the Sewer Construction Fund as a Capital Project Fund on the 2017 and 2016 annual financial reports. These funds are reclassified as Enterprise Fund Types on the accompanying financial statements.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Schedule of Findings
For the Years Ended December 31, 2017 and 2016

Finding Number 2015-001(continued)

Failure to properly post transactions resulted in transactions being inaccurately classified in the annual report and inaccurate fund balances. The Fiscal Officer agreed to reclassifications to correctly report the above items, and the reclassifications were posted to the accompanying financial statements. The Fiscal Officer should review the chart of accounts in the Ohio Village Handbook to assure that items are being posted to the proper funds and account codes.

Officials' Response

We did not receive a response from officials for the finding above.

Finding Number 2017-002

Amended Appropriations - Noncompliance Citation

Ohio Rev. Code Section 5705.34 provides in part that each taxing authority shall pass an ordinance or resolution to authorize the necessary tax levies for the following year and certify them to the County Auditor before the first day of October in each year. The Village Counsel did not make this resolution or submit it to the County Auditor during 2016 as required. Failure to submit the resolution could result in the loss of tax money. The Village should implement procedures to authorize the necessary tax levies by or before October 1 of each year, unless a later date is approved by the tax commissioner.

Official's Response

We did not receive a response from officials for the finding above.

Finding Number 2017-003

Cell Phone Payments - Material Weakness

The Village has an approved policy that provides at least one cell phone for each department for official Village use and to assist in the employee's job performance. The Village paid cell phone charges for the Sewer Administrator, Carter Stolz during 2016 and 2017, however Fiscal Officer Jill Stolz was approved for the Sewer Administrator position during the March 19, 2014 council meeting. The cell phone charges totaled \$773.38.

We recommend that Village closely monitor the cell phone bills to ensure that only current Village employee's phones are being paid.

Official's Response

We did not receive a response from officials for the finding above.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Schedule of Prior Audit Findings
For the Year Ended December 31, 2017 and 2016

Finding Number	Description	Status	Comments
	<i>Government Auditing Standards:</i>		
2015-001	Section 733.28, transactions not posted to the proper accounts and not reported in the proper classifications	Not Corrected	Not Corrected – Repeated as finding 2017-01
2015-002	Section 5705.34, resolution not made to authorize tax levies	Not Corrected	Not Corrected – Repeated as finding 2017-02

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OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF MOWRYSTOWN

HIGHLAND 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
JANUARY 24, 2019**