



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015
Fiscal Years Audited Under GAGAS: 2016 and 2015



Dave Yost • Auditor of State

Village Council
Village of Mechanicsburg
18 North Main Street
Mechanicsburg, Ohio 43044

We have reviewed the *Independent Auditor's Report* of the Village of Mechanicsburg, Champaign County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2015 through December 31, 2016. 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 Mechanicsburg is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 6, 2016

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Village of Mechanicsburg
Champaign County, Ohio
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Independent Auditor's Report

Village of Mechanicsburg
Champaign County
18 North Main Street
Mechanicsburg, Ohio 43044

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balance, receipts, and disbursements by fund type and related notes of the Village of Mechanicsburg, Champaign County, (the Village), as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Mechanicsburg, Champaign County, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2017, on our consideration of the Village's internal control over financial reporting and on 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 Standard* in considering the Village's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Columbus, Ohio
May 14, 2017

**VILLAGE OF MECHANICSBURG
CAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 34,550	\$ 66,966	\$ 47,165	\$ 148,681
Municipal Income Tax	392,191	-	-	392,191
Intergovernmental	90,679	235,194	-	325,873
Charges for Services	5,519	311,741	-	317,260
Fines, Licenses, and Permits	38,674	143	-	38,817
Earnings on Investments	1,531	576	-	2,107
Miscellaneous	3,961	274	-	4,235
	<u>567,105</u>	<u>614,894</u>	<u>47,165</u>	<u>1,229,164</u>
Total Cash Receipts				
	<u>567,105</u>	<u>614,894</u>	<u>47,165</u>	<u>1,229,164</u>
Cash Disbursements:				
Current:				
General Government	142,690	1,881	1,176	145,747
Security of Persons and Property	332,164	650,813	-	982,977
Public Health Services	4,548	-	-	4,548
Transportation	-	66,369	-	66,369
Capital Outlay	-	141,737	-	141,737
Debt Service:				
Principal	-	4,974	-	4,974
Interest	-	577	-	577
	<u>479,402</u>	<u>866,351</u>	<u>1,176</u>	<u>1,346,929</u>
Total Cash Disbursements				
	<u>479,402</u>	<u>866,351</u>	<u>1,176</u>	<u>1,346,929</u>
Excess of Receipts Over (Under) Disbursements	87,703	(251,457)	45,989	(117,765)
Other Financing Receipts (Disbursements):				
Sale of Assets	-	19,298	-	19,298
Transfers In	32,968	-	14,735	47,703
Transfers Out	(12,735)	(10,480)	-	(23,215)
Sale of Note	-	141,737	-	141,737
	<u>20,233</u>	<u>150,555</u>	<u>14,735</u>	<u>185,523</u>
Total Other Financing Receipts (Disbursements)				
	<u>20,233</u>	<u>150,555</u>	<u>14,735</u>	<u>185,523</u>
Net Change in Fund Cash Balances	107,936	(100,902)	60,724	67,758
Fund Cash Balances, January 1	346,544	351,592	4,507	702,643
	<u>346,544</u>	<u>351,592</u>	<u>4,507</u>	<u>702,643</u>
Fund Cash Balances, December 31				
Restricted	-	250,690	-	250,690
Committed	-	-	52,496	52,496
Assigned	-	-	12,735	12,735
Unassigned	454,480	-	-	454,480
	<u>454,480</u>	<u>250,690</u>	<u>65,231</u>	<u>770,401</u>
Fund Cash Balances, December 31	<u>\$ 454,480</u>	<u>\$ 250,690</u>	<u>\$ 65,231</u>	<u>\$ 770,401</u>

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

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise Fund	Fiduciary Fund	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$ 783,450	\$ -	\$783,450
Miscellaneous	-	105	105
Total Operating Cash Receipts	783,450	105	783,555
Operating Cash Disbursements:			
Personal Services	140,695	-	140,695
Fringe Benefits	53,500	-	53,500
Contractual Services	157,891	-	157,891
Supplies and Materials	166,757	-	166,757
Other	3,035	-	3,035
Total Operating Cash Disbursements	521,878	-	521,878
Operating Income (Loss)	261,572	105	261,677
Non-Operating Receipts (Disbursements)			
Sale of Note	74,989	-	74,989
Capital Outlay	(74,989)	-	(74,989)
Special Assesments	114,921	-	114,921
Miscellaneous Receipts	1,232	-	1,232
Principal Retirement	(263,720)	-	(263,720)
Interest and Other Fiscal Charges	(52,490)	-	(52,490)
Transfers Out	-	(24,488)	(24,488)
Total Non-Operating Receipts (Disbursements)	(200,057)	(24,488)	(224,545)
Net Change in Fund Cash Balances	61,515	(24,383)	37,132
Fund Cash Balances, January 1	1,184,885	24,383	1,209,268
Fund Cash Balances, December 31			
Unassigned	1,246,400	-	1,246,400
Fund Cash Balances, December 31	\$ 1,246,400	\$ -	\$ 1,246,400

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

**VILLAGE OF MECHANICSBURG
CAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 32,643	\$ 63,575	\$ -	\$ 96,218
Municipal Income Tax	353,677	-	-	353,677
Intergovernmental	72,708	246,979	-	319,687
Charges for Services	-	305,940	-	305,940
Fines, Licenses, and Permits	23,174	3,700	-	26,874
Earnings on Investments	1,292	495	-	1,787
Miscellaneous	12,215	1,359	-	13,574
	<u>495,709</u>	<u>622,048</u>	<u>-</u>	<u>1,117,757</u>
Total Cash Receipts				
	<u>495,709</u>	<u>622,048</u>	<u>-</u>	<u>1,117,757</u>
Cash Disbursements:				
Current:				
General Government	140,649	1,650	-	142,299
Security of Persons and Property	282,494	322,440	-	604,934
Public Health Services	4,548	-	-	4,548
Transportation	-	152,221	-	152,221
Debt Service:				
Principal	-	4,795	-	4,795
Interest	-	756	-	756
	<u>427,691</u>	<u>481,862</u>	<u>-</u>	<u>909,553</u>
Total Cash Disbursements				
	<u>427,691</u>	<u>481,862</u>	<u>-</u>	<u>909,553</u>
Excess of Receipts Over (Under) Disbursements	68,018	140,186	-	208,204
Other Financing Receipts (Disbursements):				
Transfers In	-	20,000	-	20,000
Transfers Out	(20,000)	-	-	(20,000)
Other Financing Uses	(6,950)	-	-	(6,950)
	<u>(26,950)</u>	<u>20,000</u>	<u>-</u>	<u>(6,950)</u>
Total Other Financing Receipts (Disbursements)				
	<u>(26,950)</u>	<u>20,000</u>	<u>-</u>	<u>(6,950)</u>
Net Change in Fund Cash Balances	41,068	160,186	-	201,254
Fund Cash Balances, January 1	305,476	191,406	4,507	501,389
	<u>305,476</u>	<u>191,406</u>	<u>4,507</u>	<u>501,389</u>
Fund Cash Balances, December 31				
Restricted	-	351,592	-	351,592
Committed	-	-	4,507	4,507
Unassigned	346,544	-	-	346,544
	<u>346,544</u>	<u>-</u>	<u>-</u>	<u>346,544</u>
Fund Cash Balances, December 31				
	<u>\$ 346,544</u>	<u>\$ 351,592</u>	<u>\$ 4,507</u>	<u>\$ 702,643</u>

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

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise Fund	Fiduciary Fund	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$ 756,405	\$ -	\$756,405
Miscellaneous	-	568	568
Total Operating Cash Receipts	756,405	568	756,973
Operating Cash Disbursements:			
Personal Services	134,128	-	134,128
Fringe Benefits	46,834	-	46,834
Contractual Services	147,414	-	147,414
Supplies and Materials	75,287	-	75,287
Other	3,879	-	3,879
Total Operating Cash Disbursements	407,542	-	407,542
Operating Income (Loss)	348,863	568	349,431
Non-Operating Receipts (Disbursements)			
Sale of Note	545,386	-	545,386
Capital Outlay	(545,386)	-	(545,386)
Special Assessments	105,912	-	105,912
Miscellaneous Receipts	\$ 7,304	\$ -	7,304
Principal Retirement	(170,341)	-	(170,341)
Interest and Other Fiscal Charges	(58,786)	-	(58,786)
Other Financing Sources	19,415	-	19,415
Other Financing Uses	(26,654)	-	(26,654)
Total Non-Operating Receipts (Disbursements)	(123,150)	-	(123,150)
Net Change in Fund Cash Balances	225,713	568	226,281
Fund Cash Balances, January 1	959,172	23,815	982,987
Fund Cash Balances, December 31			
Unassigned	1,184,885	24,383	1,209,268
Fund Cash Balances, December 31	\$ 1,184,885	\$ 24,383	\$ 1,209,268

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

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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 Mechanicsburg, Champaign County, (the Village) as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides general government services, including water and sewer utilities, and police and fire protection.

The Village participates in a public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village maintains checking accounts and certificates of deposits. The Village has no investments.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Fire/EMS Fund – This fund receives contract money from the adjoining Townships for the purpose of providing fire protection and EMS receipts from a billing service for EMS services provided by the Village to individuals and other governments. The Fund is used to provide and maintain emergency vehicles and apparatus, maintain radio equipment and payment of permanent, part-time or volunteer Fire and EMS personnel and dispatchers.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Drug Law Enforcement Fund – This fund was opened in 2015 to receive certain drug-related fines with restricted use by the Police Department, as required by the ORC.

Special Revenue Fund – Council approved Appropriation Measure 16-12 on October 17, 2016 to close the fund and transfer the balance to the General Fund. This Fund is no longer needed for Village operations.

Mayors Court Computer Fund – Council approved Appropriation Measure 16-12 on October 17, 2016 to close the fund and transfer the balance to the General Fund. This Fund is no longer needed for Village operations.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Emergency Vehicle Fund – This Fund was created in 2015 as required to receive real estate collections from a passed levy dedicated to Fire/EMS vehicle purchases.

Police Cruiser Fund – This Fund was created for the accumulation of up to \$200,000 in funds designated for up to four (4) Police Cruiser purchases over a period of 10 years. The Fund is authorized by ORC 5705.13(C) and the Auditor of State on August 25, 2016.

Fire Building Fund - Council approved dissolution of this Fund and a transfer of the balance to the Emergency Vehicle Fund on October 3, 2016.

4. Enterprise Funds

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

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

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund account for the mayor's court activity.

Mayor's Court Fund - This fund receives monies for court fees, fines, and forfeitures. These collections are remitted to the Village and the State of Ohio. Council approved

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriation Measure 16-11 on October 3, 2016 to close the fund and transfer the balance to the General Fund. This Fund is no longer needed for Village operations.

Fire Trust Fund - Council approved dissolution of this Fund and a transfer of the balance to the Emergency Vehicle Fund on October 3, 2016.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

F. Fund Balance

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

The classifications are as follows:

1. Non-spendable

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

2. Restricted

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

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2016	2015
Demand deposits	\$ 2,012,265	\$ 1,907,234
Certificates of Deposit	4,536	4,507
TOTAL DEPOSITS	\$ 2,016,801	\$ 1,911,741

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution of the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2016 as follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 461,760	\$ 495,709	\$ 33,949
Special Revenue	503,565	642,048	138,483
Enterprise	1,008,300	889,036	(119,264)
Fiduciary	17,000	568	(16,432)
Total	\$ 1,990,625	\$ 2,027,361	\$ 36,736

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Final Approved Appropriations	Budgetary Expenditures	Variance
General	\$ 531,871	\$ 447,691	\$ 84,180
Special Revenue	593,532	481,860	111,672
Enterprise	1,049,181	663,323	385,858
Fiduciary	41,001	-	41,001
Total	\$ 2,215,585	\$ 1,592,874	\$ 622,711

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

3. BUDGETARY ACTIVITY (Continued)

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 482,593	\$ 600,073	\$ 117,480
Special Revenue	575,323	634,192	58,869
Capital Projects	-	61,900	61,900
Enterprise	1,000,300	899,603	(100,697)
Internal Service	17,000	105	(16,895)
Total	\$ 2,075,216	\$ 2,195,873	\$ 120,657

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Final Approved Appropriations	Budgetary Expenditures	Variance
General	\$ 534,578	\$ 492,137	\$ 42,441
Special Revenue	784,690	735,094	49,596
Capital Projects	6,433	1,176	5,257
Enterprise	1,110,107	838,088	272,019
Fiduciary	24,383	24,488	(105)
Total	\$ 2,460,191	\$ 2,090,983	\$ 369,208

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent whose proceeds are placed into the General Fund. The Village levies the tax on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Effective December 31, 2004, the Village contracted with the Regional Income Tax Agency (RITA) and authorized them to administer the municipal income tax collections on behalf of the Village.

Municipal income tax receipts for 2016 and 2015 were \$392,191 and \$353,677, respectively.

6. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal
OWDA Elevated Storage Tank Loan #4104	\$222,987
OWDA WWTP Influent Lift Station #5848	393,947
OWDA San. Sewer Rehabilitation Improv #6412	1,343,722
OWDA WTS Improvements Design #5621	105,374
OWDA Sewer Rehabilitation #6812	596,492
2012 Sutphen Pumper Loan	10,511
2016 McCoy Miller Squad	69,190
2016 Ford F-550 Truck / Plow Package	72,547
Total	<u>\$2,814,770</u>

#4104: During 2004, the Village entered into a loan agreement with the Ohio Water Development Authority for assistance in erecting a new, higher capacity Village elevated storage tank. The total loan amount was for \$316,661 with an interest rate of 5.01%. OWDA provided a loan buydown to 4.00% effective 01/01/2016. The Village will repay the loan in semiannual installments of \$10,036, including interest, over 25 years. As of December 31, 2016, the Village has an outstanding balance on the loan of \$222,987.

#5848: During 2011, the Village entered into a loan agreement with the Ohio Water Development Authority for improvements to the Influent Lift Station. The total loan amount was for \$522,418 with an interest rate of 1.50%. The Village will repay the loan in semiannual installments of \$15,166, including interest, over 20 years. As of December 31, 2016, the Village has an outstanding balance on the loan of \$393,947.

#6412: During 2013, the Village entered into a loan agreement with the Ohio Water Development Authority for Sanitary Sewer Rehabilitation improvements. The total loan amount was for \$1,588,596 with an interest rate of 1.5%. The Village will repay the loan in semiannual installments of \$46,117, including interest, over 20 years. As of December 31, 2016, the Village has an outstanding balance on the loan of \$1,343,722.

#5621: During 2010, the Village entered into a loan agreement with the Ohio Water Development Authority for Water Treatment System (WTS) improvements design. The OWDA approved a loan in the amount of \$233,571 for the project and as of December 31, 2016, the Village has drawn down \$232,975. An additional \$33,360 in capitalized interest has been added to the principal balance since inception. The Village has made principal payments totaling \$160,693, making the total outstanding balance at December 31, 2016 \$105,374.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

6. DEBT (Continued)

#5620: During 2014, the Village entered into an agreement with the Ohio Public Works Commission (OPWC) for Wastewater Treatment Plant Improvements. Financing for the project includes an OPWC grant up to \$400,000, an OPWC loan up to \$384,368. As of December 31, 2016, there have been no disbursements on the OPWC loan. As part of the project, the Ohio Environmental Protection Agency will contribute \$784,368. This funding has been secured through an OWDA loan. The planning loan for this project, #5620, was paid off by OWDA Loan #6412 in April 2013.

#6812: OWDA Loan #6812 is for Sewer Rehabilitation (WWTP Improvements), including filters and upgrades to improve the sewer plant facility. It has a total outstanding balance as of December 31, 2016 of \$596,492.

During 2014, the Village obtained a loan to finance a portion of the purchase of a new fire truck. This Sutphen Pumper had a total cost of \$230,275.87, funded through a payment from Goshen Township of \$115,137.94, \$90,137.94 from the Village General Fund (representing a portion of Saxbe estate tax receipts), and a loan. The total loan amount was for \$25,000. The Village will repay the loan in annual installments of \$5,551, including interest, over 5 years. As of December 31, 2016, the remaining balance is \$10,511.

During 2016, the Village obtained a loan to finance a portion of the purchase of a new 2016 McCoy Miller Squad. The total cost of this squad was \$212,714, funded through a grant of \$143,524 and a loan. The total loan was for \$69,190. The Village will repay the loan in annual installments of \$15,190, including interest, beginning January 15, 2017 over 5 years.

During 2016, the Village obtained a loan to finance the purchase of a new truck with a snow plow package. The total loan is for \$72,547. The Village will repay the loan in annual installments of \$15,808, including interest, beginning January 15, 2017 over 5 years.

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

Year ending December 31:	OWDA Loans*	Vehicle Loans	Loan Total
2017	\$250,292	\$36,549	\$286,841
2018	\$144,918	\$36,549	\$181,467
2019	\$144,918	\$30,998	\$175,916
2020	\$144,918	\$30,998	\$175,916
2021	\$144,918	\$30,998	\$175,916
2022-2026	\$724,591	\$0	\$724,591
2027 - 2031	\$687,073	\$0	\$687,073
2032-2033	\$138,352	\$0	\$138,352
Total	\$2,379,980	\$166,092	\$2,546,072

* - Additional principal payment for Loan #5621 in the amount of \$105,642 for 2017 are included above.

* - The OWDA Loan #6812 did not have a debt to maturity as of December 31, 2016 due to the project still being in progress and therefore was omitted from the annual debt requirement schedule.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

7. RETIREMENT SYSTEMS

The Village's certified Fire Fighters and some full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From July 2, 2014 through July 1, 2015, OP&F participants contributed 11.5% of their wages. Beginning July 2, 2015, OP&F participants contribute 12.25%. For 2016 and 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time firefighters' wages.

For 2016 and 2015, 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 through December 31, 2016.

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP) a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

PEP:

- The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York Risk Pooling Services, Inc. (YORK). APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts.
- York functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP.
- Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims. The Board of Directors and YORK periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

8. RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015 and 2016:

	2015	2016
Assets	\$38,307,677	\$42,182,281
Liabilities	(12,759,127)	(13,396,700)
Net Position	\$25,548,550	\$28,785,581

At December 31, 2016 and 2015, the assets above also include approximately \$12.0 and 11.0 million of unpaid claims to be billed, respectively. The Pool's membership increased from 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$27,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2015	2016
\$43,580	\$42,874

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. SUBSEQUENT EVENTS

An Ohio Department of Public Safety grant in the amount of \$26,157 was received by the Village Police Department for the purchase of a cruiser. Council approved in the 2017 permanent budget a financial plan to purchase two 2017 Ford Explorer cruisers, fully detailed and outfitted, for a total cost of \$39,383 each. Funding includes \$26,157 from the grant, \$32,967 in General Fund funds transferred from the two closed Mayors Court funds, \$12,735 existing funds in the Police Cruiser Fund, and \$6,907 from the General Fund, including an estimated \$3,000 reduction in vehicle repairs expense in 2017.



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards***

Village of Mechanicsburg
Champaign County
18 North Main Street
Mechanicsburg, Ohio 43044

To the Village Council:

We have audited, in accordance with the 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 fund type the Village of Mechanicsburg, Champaign County, (the Village) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, and have issued our report thereon dated May 14, 2017, wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 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.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2016-001 and 2016-002 to be significant deficiencies.

Village of Mechanicsburg
Champaign County
Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control testing 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.

Handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Columbus, Ohio
May 14, 2017

**Village of Mechanicsburg
Champaign County**

**Schedule of Findings
For the Years Ended December 31, 2016 and 2015**

FINDING NUMBER 2016-001

Significant Deficiency – Grant and Loan Proceeds

The Village entered into various loan agreements with the Ohio Water Development Authority and an agreement with the Ohio Public Works Commission (OPWC) for a loan and a grant. Auditor of State Bulletin 2002-004 outlines the accounting requirements for the OPWC grant. The OPWC will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the Enterprise capital project fund equal to the amount disbursed by the OPWC.

The Village did not record all payments made directly to contractors as part of ongoing OWDA and OPWC projects. The amount of unrecorded activity in 2016 and 2015 totaled \$74,989 and \$545,386, respectively.

The Village also entered into loan agreements for a squad and truck through Kansas State Bank during 2016.

The Village did not record payments made directly to vendors as part of the loan agreement. The amount of unrecorded activity in 2016 totaled \$141,737.

Failure to record grant and loan activity results in understated receipts and disbursements on the financial statements.

To improve financial reporting, the Village should establish procedures to account for all payments made directly to contractors or vendors to ensure the financial statements reflect the receipts and disbursements for loan and grant activity.

Client Response:

The Village will immediately implement proper reporting for loan proceeds and disbursements in all funds and for all loans and debt.

FINDING NUMBER 2016-002

Significant Deficiency – Sound Financial Reporting

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village's internal controls over financial reporting.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the compliance supplement for guidance on the correct line item to post various receipts and expenditures of the Village.

Client Response:

Despite our small size and limited staff, we are confident available internal controls are in place to provide reasonable opportunity to identify errors and misstatements. PO packets, check listings and monthly financial statements are provided to Council, our bank account is balanced monthly with UAN, and the Village Clerk, Administrator and Fiscal Officer regularly consult on proper treatment of revenue and expense items. These and other procedures were implemented based on suggests from prior auditors, and we are open to additional suggestions and procedures to strengthen our internal controls.

**Village of Mechanicsburg
Champaign County
Schedule of Prior Audit Findings
December 31, 2016 and 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	Maintaining Accounting Records	Yes	Fully Corrected
2014-002	Failure to post receipts to the correct funds	Yes	Fully Corrected
2014-003	Failure to make OPERS Payments	Yes	Fully Corrected
2014-004	Failure to keep Mayor's Court Docket	Yes	Fully Corrected
2014-005	Failure to Maintain Mayor's Court Records	Yes	Fully Corrected
2014-006	Failure to Maintain Schedule of Mayor's Court Fees	Yes	Fully Corrected
2014-007	Failure to Maintain Documentation of Mayor's Court Remittances to State	Yes	Fully Corrected
2014-008	5705.41(B) – Expenditures in Excess of Appropriations	Yes	Fully Corrected
2014-009	Budgetary Monitoring	Yes	Fully Corrected
2014-010	Failure to Properly Handle Sick Leave Conversion	Yes	Fully Corrected
2014-011	Incorrect GASB 54 Implementation	Yes	Fully Corrected
2014-012	Failure to Record Loan and Grant Receipts	No	Reissued as Finding 2016-001
2014-013	Sound Financial Reporting	No	Reissued as Finding 2016-002
2014-014	Failure to Follow Leave and Flex Time Policies	Yes	Fully Corrected



Dave Yost • Auditor of State

VILLAGE OF MECHANICSBURG

CHAMPAIGN 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
SEPTEMBER 19, 2017**