



Dave Yost • Auditor of State

VILLAGE OF ROME
ADAMS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Rome
Adams County
P.O. Box 335
Stout, Ohio 45684

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 Village of Rome, Adams County, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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 America (GAAP), to satisfy these requirements.

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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, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The accompanying financial statements for the years ended December 31, 2015 and 2014 present unclassified cash receipts and cash disbursements. Ohio Administrative Code Section 117-2-03(D) requires classification of receipts and disbursements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the omission of receipts and disbursements classifications as described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph above, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Rome, Adams County as of December 31, 2015 and 2014, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 16, 2017

VILLAGE OF ROME

Adams County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

All Governmental Fund Types

For the Year Ended December 31, 2015

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------------------|------------------------|--------------------------------|
| Cash Receipts | | | |
| Unclassified Receipts | \$10,253 | \$2,851 | \$13,104 |
| <i>Total Cash Receipts</i> | <u>10,253</u> | <u>2,851</u> | <u>13,104</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Unclassified Disbursements | 10,071 | 4,145 | 14,216 |
| <i>Total Cash Disbursements</i> | <u>10,071</u> | <u>4,145</u> | <u>14,216</u> |
| <i>Net Change in Fund Cash Balances</i> | 182 | (1,294) | (1,112) |
| <i>Fund Cash Balances, January 1</i> | <u>7,506</u> | <u>33,815</u> | <u>41,321</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 32,521 | 32,521 |
| Unassigned (Deficit) | <u>7,688</u> | <u>0</u> | <u>7,688</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$7,688</u></u> | <u><u>\$32,521</u></u> | <u><u>\$40,209</u></u> |

See accompanying notes to the basic financial statements

VILLAGE OF ROME
Adams County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Enterprise Fund Types
For the Year Ended December 31, 2015

| | Proprietary Fund Type |
|---|------------------------|
| | Enterprise |
| Operating Cash Receipts | |
| Unclassified Receipts | \$175,740 |
| <i>Total Operating Cash Receipts</i> | <u>175,740</u> |
| Operating Cash Disbursements | |
| Unclassified Disbursements | 163,315 |
| <i>Total Operating Cash Disbursements</i> | <u>163,315</u> |
| <i>Net Change in Fund Cash Balances</i> | 12,425 |
| <i>Fund Cash Balances, January 1</i> | <u>0</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$12,425</u></u> |

See accompanying notes to the basic financial statements

VILLAGE OF ROME*Adams County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2014*

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------------------|------------------------|--------------------------------|
| Cash Receipts | | | |
| Unclassified Receipts | \$8,136 | \$3,140 | \$11,276 |
| <i>Total Cash Receipts</i> | <u>8,136</u> | <u>3,140</u> | <u>11,276</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Unclassified Disbursements | 8,505 | 4,534 | 13,039 |
| <i>Total Cash Disbursements</i> | <u>8,505</u> | <u>4,534</u> | <u>13,039</u> |
| <i>Net Change in Fund Cash Balances</i> | (369) | (1,394) | (1,763) |
| <i>Fund Cash Balances, January 1</i> | <u>7,875</u> | <u>35,209</u> | <u>43,084</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 33,815 | 33,815 |
| Unassigned (Deficit) | 7,506 | 0 | 7,506 |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$7,506</u></u> | <u><u>\$33,815</u></u> | <u><u>\$41,321</u></u> |

See accompanying notes to the basic financial statements

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Village of Rome, Ohio
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 - Reporting Entity

The Village of Rome (the Village), Adams County, 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. A publicly-elected six-member Council directs the Village. The Village provides general governmental services including street lights, park maintenance and road maintenance.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Enterprise Fund This fund accounts 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 one Enterprise Fund:

Sewer Project Fund The sewer project fund accounts for loan proceeds from the Ohio Water Development Authority restricted to the construction of a wastewater treatment plant. Sewer receipts in this fund will repay the loan.

Basis of Accounting

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

Village of Rome, Ohio
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

similar to the cash receipts and disbursements accounting basis. The Council 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 present unclassified receipts and disbursements contrary to Ohio Administrative Code Section 117-2-03(D).

Budgetary Process

The Ohio Revised Code requires that each fund 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. 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 County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting.

A summary of 2015 and 2014 budgetary activity appears in Note 4.

Deposits

The Village deposits all available funds in non-interest earning checking accounts at a local commercial bank. All deposits are valued at cost.

Capital Assets

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

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Village did not have any nonspendable fund balances at December 31, 2015 or 2014.

Village of Rome, Ohio
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

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. The Village did not have any committed fund balances at December 31, 2015 or 2014.

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. The Village did not have any assigned fund balances at December 31, 2015 or 2014.

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$10,071, in the Street Construction Maintenance and Repair fund by \$4,145 and in the Sewer fund by \$163,315 for the year ended December 31, 2015. Also contrary to Ohio law, appropriations in the Street Construction Maintenance and Repair fund exceeded estimated resources by \$819 for the year ended December 31, 2014.

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

Village of Rome, Ohio
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

2015 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|------------------|
| General | \$9,245 | \$10,253 | \$1,008 |
| Special Revenue | 2,160 | 2,851 | 691 |
| Enterprise | 0 | 175,740 | 175,740 |
| Total | <u>\$11,405</u> | <u>\$188,844</u> | <u>\$177,439</u> |

2015 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|--------------------|
| General | \$0 | \$10,071 | (\$10,071) |
| Special Revenue | 0 | 4,145 | (4,145) |
| Enterprise | 0 | 163,315 | (163,315) |
| Total | <u>\$0</u> | <u>\$177,531</u> | <u>(\$177,531)</u> |

2014 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|--------------|
| General | \$8,878 | \$8,136 | (\$742) |
| Special Revenue | 2,160 | 3,140 | 980 |
| Total | <u>\$11,038</u> | <u>\$11,276</u> | <u>\$238</u> |

2014 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|-----------------|
| General | \$16,254 | \$8,505 | \$7,749 |
| Special Revenue | 37,800 | 4,534 | 33,266 |
| Total | <u>\$54,054</u> | <u>\$13,039</u> | <u>\$41,015</u> |

Note 5 – Deposits

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

| | | |
|-----------------|-----------------|-----------------|
| | 2015 | 2014 |
| Demand deposits | <u>\$52,634</u> | <u>\$41,321</u> |

Deposits are insured by the Federal Depository Insurance Corporation.

Village of Rome, Ohio
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 6 – Taxes

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 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.

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

Note 8 - 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;
- Errors and omissions.

Note 9 - Defined Benefit Pension Plans

Social Security

The Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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 not paid all contributions required through December 31, 2015.

Note 11 – Debt

Debt outstanding at December 31, 2015 was as follows:

| | | |
|---------------------------------------|------------------|----------------------|
| | <u>Principal</u> | <u>Interest Rate</u> |
| Ohio Water Development Authority Loan | 176,581 | 3.25 % - 3.45% |

Village of Rome, Ohio
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

The Ohio Water Development Authority (OWDA) loans relate to the construction of a sewer plant project. The OWDA approved up to \$316,448 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$7,647, including interest, over 20 years. The scheduled payment amount assumes that \$316,448 will be borrowed. The OWDA will adjust the scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization

Amortization of the above debt, including interest, has not yet been determined as the project is still ongoing.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Rome
Adams County
P.O. Box 335
Stout, Ohio 45684

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 fund type of the Village of Rome, Adams County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 16, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion due to the omission of receipts and disbursement classifications on the accompanying financial statements.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001, 2015-002, 2015-004, 2015-006 and 2015-007 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 through 2015-006 and 2015-008 through 2015-011.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

Columbus, Ohio

June 16, 2017

VILLAGE OF ROME
ADAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

FINDING NUMBER 2015-001

Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-01(D)(4) states that when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Village's staff did not allow for an adequate segregation of duties; the Village Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Village Council monitor financial activity closely.

The Fiscal Officer did not provide Council with financial reports to review. The Fiscal officer did not prepare and present checks to Council prior to payment, and only the Fiscal Officer's signature was required on the checks. Minute records did not show evidence that Council approved bills to be paid. Bank reconciliations were not completed by the Fiscal Officer and reviewed and approved by Council. Budget to actual financial reports were not monitored by Village Council.

We recommend the Fiscal Officer maintain record of budget and actual information in a format easily reviewable by the Village Council. We further recommend the Village Council review detailed financial reports, budget versus actual information, and bank reconciliations on a monthly basis. This should be documented in the minute record and/or initialed and dated as reviewed. We also recommend the Village Council make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

Officials' Response:

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

FINDING NUMBER 2015-002

Noncompliance/Material Weakness

Ohio Rev. Code Section 733.28 requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Ohio Admin Code Section 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

**FINDING NUMBER 2015-002
(Continued)**

Ohio Admin Code 117-2-02-(C) provides that:

1. All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.
2. Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the fiscal officer's certificate is attached.
3. Vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach the supporting documentation to the voucher, such as vendor invoices.

Ohio Admin Code Section 117-2-02(D) provides that all local public offices may maintain accounting records in a manual or computerized format. Such records should include:

1. Cash journal, which typically contains the following information: the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of payer, purpose, receipt number, and other information required for such transactions to be recorded on this ledger.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.
4. In addition, all local public offices should maintain payroll records including a payroll journal that records, assembles and classifies by pay period the name of employee, the employee's identification number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee, and the fund and account charged for the payments.

The following deficiencies existed in the accounting records:

- The Village maintained a cash journal for 2015; however, it was not maintained for 2014.
- The Village did not maintain a receipts ledger or an appropriation ledger that classified receipts and disbursements by accounts.
- The Village did not maintain a payroll ledger.

**FINDING NUMBER 2015-002
(Continued)**

- The Village Fiscal Officer did not certify purchase orders and did not record the related encumbrances.
- The Village did not use vouchers.
- The Village did not use duplicate receipts.
- The Village did not post approved/authorized appropriations and estimated receipts to the accounting system.
- The Village did not maintain the accounting records in such a manner that allowed the presentation of financial statements in a classified format as required by the Ohio Administrative Code. This resulted in a qualified opinion on the financial statements.

Failure to properly maintain accounting records resulted in inaccurate amounts being reported by the Village on their annual financial report. Also, not having complete and accurate accounting records, including budgetary information, increased the risk of spending more than was available. Officials need to have complete and accurate accounting records in order to make informed management decisions.

We recommend the Village implement the appropriate procedures to ensure that financial records are sufficiently maintained in order to properly present financial statements in the required format. We further recommend the fiscal officer properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly.

Using these accounting records will provide the Village with information to monitor compliance with the budget and prepare annual reports in the format required by the Ohio Revised Code and Ohio Administrative Code.

Officials' Response:

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

FINDING NUMBER 2015-003

Noncompliance

Ohio Rev. Code § 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive all or any part of these penalties, upon the filing of the past due financial report.

The report shall contain the following: (A) amount of collections and receipts, and accounts due from each source; (B) amount of expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) amount of public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Auditor of State Bulletin 2015-007 states all entities required to file with the Auditor of State (AOS) must file electronically via the Hinkle Annual Financial Data Reporting System (Hinkle System) unless a waiver has been approved by the AOS for the applicable filing year.

**FINDING NUMBER 2015-003
(Continued)**

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not file its 2015 or 2014 annual report with the Auditor of State on the HINKLE system. Failure to file the annual financial report within 60 days of the fiscal year-end can result in fines and penalties. Further, failing to file an annual report could be a symptom of an inadequate accounting system, inadequate training of personnel in understanding the accounting and reporting process, unposted or unreconciled records or other significant issues affecting the control environment, and may even pose fraud risks.

The lack of financial reports makes it difficult for management to monitor financial performance and impossible for the Village to be transparent to the public in its financial activity. In addition, the Village failed to publish public notice in the local newspaper stating the financial report is available for public inspection. This prevents transparency to the public of the Village's activities.

We recommend the Fiscal Officer file the Village's annual financial reports with the Auditor of State within 60 days of the fiscal year end. We also recommend the Village establish an accounting system capable of accurate financial reporting. We further recommend all the Village's officials obtain the necessary training needed to obtain an understanding in accounting information and reporting.

Officials' Response:

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

FINDING NUMBER 2015-004

Noncompliance/Material Weakness

Ohio Admin. Code Sections 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records..

The Fiscal Officer did not prepare monthly bank reconciliations to reconcile the bank statements to the cash journal for their main account. Further, it was noted the Village opened a Sewer Project bank account in 2015 and the activity was not recorded in the cashbook. Bank reconciliations were not performed for this account either.

Not performing these monthly reconciliations resulted in errors that went undetected by the Fiscal Officer. This resulted in the Village financial records being inaccurate and carrying incorrect fund balances.

We recommend the Fiscal Officer prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner. These reconciliations should be reviewed and approved by Council. We further recommend, all activity of the Village, including activity in outside bank accounts, be properly accounted for within the Village's accounting system.

Officials' Response:

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

FINDING NUMBER 2015-005

Noncompliance

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1st.

The Village could not provide copies of the formally adopted appropriations for 2015 for audit. A copy of the appropriation measure was presented; however, it was not signed by Village officials nor was it filed with the County Auditor. Also, the minutes did not reflect the adoption of the appropriation resolution. As a result, all expenditures in 2015 lacked legal appropriation authority as reported in Finding Number 2015-010.

We recommend the Village pass an appropriation measure on or about the first day of each fiscal year. If the Village adopts a temporary measure, they must adopt a permanent measure no later than April 1. In addition, approved appropriation measures should be filed with the County Auditor for the approval of the Budget Commission.

Officials' Response:

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

FINDING NUMBER 2015-006

Noncompliance/Material Weakness

Ohio Rev. Code § 149.351 provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

During testing, we were unable to match several disbursements to supporting documentation, such as an invoice. Therefore, disbursements could not be determined to be for a proper public purpose due to lack of supporting documentation. We performed alternative procedures to gain assurances over disbursements.

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

We recommend the Fiscal Officer keep supporting documentation for all transactions.

Officials' Response:

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

FINDING NUMBER 2015-007

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The following conditions related to the Village's accounting system during 2014:

- Some receipt and disbursement activity in the General Fund was not included on the Village's financial statements. This resulted in receipts being understated by \$7,916; disbursements being overstated by \$1,451 and cash being understated by \$9,367.
- Receipts in the amount of \$1,331 were incorrectly posted to the General Fund instead of being posted to the Street Construction Maintenance and Repair Fund and the State Highway Fund.
- Property tax receipts were posted at net instead of gross in the General Fund, resulting in receipts and disbursements being understated in the amount of \$310.
- The Mayor's pay of \$377 was incorrectly posted to the Street Construction Maintenance and Repair Fund instead of the General Fund.
- Some receipt activity in the Street Construction Maintenance and Repair Fund was not included on the Village's financial statements. This resulted in receipts and cash being understated by \$2,665.
- State and local government highway receipts were not split correctly between the Street Construction Maintenance and Repair Fund and the State Highway Fund. This resulted in the overstatement of receipts and cash in the Street Construction Maintenance and Repair Fund of \$69 and the understatement of receipts and cash in the State Highway Fund of \$69.
- Gasoline tax receipts were not split correctly between the Street Construction Maintenance and Repair Fund and the State Highway Fund. This resulted in the overstatement of receipts and cash in the Street Construction Maintenance and Repair Fund of \$136 and the understatement of receipts and cash in the State Highway Fund of \$136.
- Motor vehicle license tax receipts were not split correctly between the Street Construction Maintenance and Repair Fund and the State Highway Fund. This resulted in the overstatement of receipts and cash in the Street Construction Maintenance and Repair Fund of \$31 and the understatement of receipts and cash in the State Highway Fund of \$31.
- Street Construction Maintenance and Repair Fund balance was incorrectly posted as unassigned instead of restricted in the amount of \$33,351.
- State Highway Fund balance was incorrectly posted as unassigned instead of restricted in the amount of \$464.

**FINDING NUMBER 2015-007
(Continued)**

The following conditions related to the Village's accounting system during 2015:

- Some receipt and disbursement activity in the General Fund was not included on the Village's financial statements. This resulted in receipts being understated by \$957; disbursements being overstated by \$48 and cash being understated by \$1,005.
- Receipts in the amount of \$230 were incorrectly posted to the General Fund instead of being posted to the Street Construction Maintenance and Repair Fund and the State Highway Fund.
- Property tax receipts were posted at net instead of gross in the General Fund, resulting in receipts and disbursements being understated in the amount of \$294.
- Some receipt and disbursement activity in the Street Construction Maintenance and Repair Fund was not included on the Village's financial statements. This resulted in receipts being understated by \$155; disbursements being overstated by \$227 and cash being understated by \$382.
- State and local government highway receipts were not split correctly between the Street Construction Maintenance and Repair Fund and the State Highway Fund. This resulted in the overstatement of receipts and cash in the Street Construction Maintenance and Repair Fund of \$61 and the understatement of receipts and cash in the State Highway Fund of \$61.
- Gasoline tax receipts were not split correctly between the Street Construction Maintenance and Repair Fund and the State Highway Fund. This resulted in the overstatement of receipts and cash in the Street Construction Maintenance and Repair Fund of \$116 and the understatement of receipts and cash in the State Highway fund of \$116.
- Motor vehicle license tax receipts were not split correctly between the Street Construction Maintenance and Repair Fund and the State Highway Fund. This resulted in the overstatement of receipts and cash in the Street Construction Maintenance and Repair Fund of \$37 and the understatement of receipts and cash in the State Highway Fund of \$37.
- Street Construction Maintenance and Repair Fund balance was incorrectly posted as unassigned instead of restricted in the amount of \$31,843.
- State Highway fund balance was incorrectly posted as unassigned instead of restricted in the amount of \$678.
- Receipt and disbursement activity for the sewer project was not included on the Village's financial statements. This resulted in receipts being understated by \$175,740; disbursements being understated by \$163,315 and cash being understated by \$12,425.

The Village corrected the financial statements and accounting records, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Village.

We recommend that the Village accurately record financial transactions.

Officials' Response:

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

FINDING NUMBER 2015-008

Noncompliance

Ohio Rev. Code § 5705.41 (D)(1) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant Village of Rome for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not certify the availability of funds prior to purchase commitment for any expenditure during 2015 and 2014. There was no evidence the Village followed the aforementioned exceptions. The Village did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances. This also resulted in unrecorded encumbrances for 2015 and 2014. However, due to lack of supporting documentation, we were unable to determine a dollar amount.

**FINDING NUMBER 2015-008
(Continued)**

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used. In addition, the budgetary presentation should include outstanding encumbrances at year end.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

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

FINDING NUMBER 2015-009

Noncompliance

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

During 2014, appropriations from the Street Construction Maintenance and Repair Fund exceeded estimated resources by \$819.

Failure to monitor budgetary estimated resources and available appropriations can result in overspending funds and negative cash balances.

We recommend the Council monitor the budgetary receipts and expenditures by having the Fiscal Officer provide budgetary reports for their review. By regularly monitoring the budgetary position of the Village throughout the year, the Council will be better able to determine when amendments are needed.

Officials' Response:

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

FINDING NUMBER 2015-010

Noncompliance

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

At December 31, 2015, expenditures exceeded appropriations in the following funds:

**FINDING NUMBER 2015-010
 (Continued)**

| Fund | Appropriations | Expenditures | Variance |
|---|----------------|--------------|------------|
| General | \$ 0 | \$ 10,071 | \$(10,071) |
| Street Construction Repair and Maintenance | 0 | 4,145 | (4,145) |
| Sewer Project | 0 | 163,315 | (163,315) |

The practice of allowing expenditures to exceed appropriations could result in overspending and negative fund balances for the Village.

We recommend the Village monitor the budgetary receipts and expenditures by having the Fiscal Officer provide budgetary reports at least quarterly to be reviewed and approved by the Village Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original appropriations thus avoiding negative fund balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

Officials' Response:

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

FINDING NUMBER 2015-011

Noncompliance

26 U.S.C. Sections 3401, 3402, 3403, 3404, 3405, and 3102(a) require the employing government to withhold federal income and employment related taxes (such as Medicare). They also require the government to report and remit those tax matters to the appropriate tax authorities and the recipients.

The Fiscal Officer did not remit the required federal payroll taxes as required by the Internal Revenue Service for any of the four quarters of 2014 or 2015. The 2015 W-2s reflect amounts withheld for social security (\$161) and Medicare (\$40) for the Mayor, Council Members, and Fiscal Officer but individuals were paid at the gross amounts and withholdings were not made.

The Village could incur penalties and interest due to the non-filing of the above noted forms.

We recommend the fiscal officer withhold the correct amounts from payroll, and submit the required reports and contribution/withholding remittances in a timely manner to ensure compliance with applicable laws and regulations and to avoid interest and penalties.

This matter will be referred to the Internal Revenue Service.

Officials' Response:

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



Dave Yost • Auditor of State

VILLAGE OF ROME

ADAMS 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
JUNE 29, 2017