



Dave Yost • Auditor of State

**VILLAGE OF POTSDAM
MIAMI COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Potsdam
Miami County
P.O. Box 52
Potsdam, Ohio 45361

To the Village Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial 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 such 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.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Potsdam, Miami County as of December 31, 2017 and 2016, 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 October 18, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 18, 2018

**VILLAGE OF POTSDAM
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$7,925				\$7,925
Intergovernmental	20,854	17,273		\$345,371	383,498
Fines, Licenses and Permits	1,372				1,372
Earnings on Investments	26	26			52
Miscellaneous	88				88
<i>Total Cash Receipts</i>	<u>30,265</u>	<u>17,299</u>	<u>0</u>	<u>345,371</u>	<u>392,935</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,000	4,237			6,237
Leisure Time Activities	2,446				2,446
Transportation		2,900			2,900
General Government	17,346				17,346
Capital Outlay				357,371	357,371
Debt Service:					
Principal Retirement			\$7,129		7,129
Interest and Fiscal Charges			1,061		1,061
<i>Total Cash Disbursements</i>	<u>21,792</u>	<u>7,137</u>	<u>8,190</u>	<u>357,371</u>	<u>394,490</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,473</u>	<u>10,162</u>	<u>(8,190)</u>	<u>(12,000)</u>	<u>(1,555)</u>
Other Financing Receipts (Disbursements)					
Transfers In			8,184	6,120	14,304
Transfers Out	(8,184)	(6,120)			(14,304)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(8,184)</u>	<u>(6,120)</u>	<u>8,184</u>	<u>6,120</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	289	4,042	(6)	(5,880)	(1,555)
<i>Fund Cash Balances, January 1</i>	<u>41,953</u>	<u>47,604</u>	<u>6</u>	<u>5,880</u>	<u>95,443</u>
Fund Cash Balances, December 31					
Restricted		51,646			51,646
Assigned	34,538				34,538
Unassigned	7,704				7,704
<i>Fund Cash Balances, December 31</i>	<u>\$42,242</u>	<u>\$51,646</u>	<u>\$0</u>	<u>\$0</u>	<u>\$93,888</u>

See accompanying notes to the basic financial statements

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Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Potsdam (the Village), Miami 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 and Mayor directs the Village. The Village provides general governmental services. The Village contracts with the Miami County Sheriff's department to provide security of persons and property. The Village contracts with Laura Fire Department to receive fire protection services.

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.

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 Funds:

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, curbs, and alleyways within the Village. Additionally, the funds are used for street lighting.

State Highway Fund The state highway fund accounts for and reports a portion of State gasoline tax and motor vehicle license registration fees and is used for costs related to maintaining the highway in the Village.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Note Retirement Fund This fund is used to retire the mortgage on the building. The fund receives a transfer of funds from the General Fund each year to cover principal and interest payments.

*Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2017*

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. The Village had the following significant capital project fund:

Other Capital Projects This fund accounts for and reports the proceeds and expenditures related to the storm sewer and street reconstruction project. The grant proceeds are restricted for the storm sewer and street reconstruction project.

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 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.

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 canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Deposits

All Village money is maintained in depository accounts.

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.

Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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

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

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

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

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.

Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,336	\$30,265	(\$4,071)
Special Revenue	11,667	17,299	5,632
Debt Service	8,185	8,184	(1)
Capital Projects	308,096	351,491	43,395
Total	\$362,284	\$407,239	\$44,955

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,400	\$29,976	\$19,424
Special Revenue	32,320	13,257	19,063
Debt Service	8,200	8,190	10
Capital Projects	357,371	357,371	0
Total	\$447,291	\$408,794	\$38,497

Note 4 – Deposits

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

	2017
Demand deposits	\$93,888

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes 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 February 14. The second half payment is due July 20.

*Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2017*

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

Note 6 - Risk Management

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

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

Several Village 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 paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

***Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2017***

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Building Mortgage Note	\$11,262	6.375%
Total	\$11,262	

The Building Mortgage Note related to the purchase and remodeling of the municipal building. The note was originally issued July 7, 1999 to be repaid in semiannual installments of \$5,000 plus interest over five years with a balloon payment of \$75,000 due in 2004. The note is a general obligation of the Village. The note for \$75,000 was refinanced on August 3, 2004 at 4.875% variable interest rate to be adjusted annually to the one year treasury rate plus 2.75%. The note was refinanced again on October 6, 2005 for the principal amount of \$71,698 at a fixed rate of interest of 7.15% through 2019. The note was refinanced again on March 5, 2009 at a fixed rate of interest of 6.375% through 2019. The note is being repaid in semiannual installments of \$4,095.

Amortization

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

Year Ending December 31:	Building Mortgage
2018	8,190
2019	3,788
Total	\$11,978

**VILLAGE OF POTSDAM
MIAMI 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>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$7,846				\$7,846
Intergovernmental	18,515	12,135		\$8,329	38,979
Fines, Licenses and Permits	1,148				1,148
Earnings on Investments	21	27			48
<i>Total Cash Receipts</i>	<u>27,530</u>	<u>12,162</u>	<u>0</u>	<u>8,329</u>	<u>48,021</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,000	4,236			6,236
Leisure Time Activities	1,731				1,731
Transportation		5,340			5,340
General Government	12,440				12,440
Capital Outlay				9,449	9,449
Debt Service:					
Principal Retirement			\$6,696		6,696
Interest and Fiscal Charges			1,494		1,494
<i>Total Cash Disbursements</i>	<u>16,171</u>	<u>9,576</u>	<u>8,190</u>	<u>9,449</u>	<u>43,386</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,359</u>	<u>2,586</u>	<u>(8,190)</u>	<u>(1,120)</u>	<u>4,635</u>
Other Financing Receipts (Disbursements)					
Transfers In			8,120	7,000	15,120
Transfers Out	(8,120)	(7,000)			(15,120)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(8,120)</u>	<u>(7,000)</u>	<u>8,120</u>	<u>7,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	3,239	(4,414)	(70)	5,880	4,635
<i>Fund Cash Balances, January 1</i>	<u>38,714</u>	<u>52,018</u>	<u>76</u>	<u>0</u>	<u>90,808</u>
Fund Cash Balances, December 31					
Restricted		47,604	6	5,880	53,490
Assigned	15,064				15,064
Unassigned	26,889				26,889
<i>Fund Cash Balances, December 31</i>	<u>\$41,953</u>	<u>\$47,604</u>	<u>\$6</u>	<u>\$5,880</u>	<u>\$95,443</u>

See accompanying notes to the basic financial statements

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Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

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Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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*Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2016*

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Basis of Accounting

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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.

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 canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

Deposits

All Village money is maintained in depository accounts.

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.

Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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

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

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

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

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.

Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,064	\$27,530	\$4,466
Special Revenue	11,532	12,162	630
Debt Service	8,200	8,120	(80)
Capital Projects	401,650	15,329	(386,321)
Total	\$444,446	\$63,141	(\$381,305)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,700	\$24,291	\$23,409
Special Revenue	54,200	16,576	37,624
Debt Service	8,200	8,190	10
Capital Projects	401,650	9,449	392,201
Total	\$511,750	\$58,506	\$453,244

Note 4 – Deposits

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

	2016
Demand deposits	\$95,443

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes 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 February 14. The second half payment is due the following July 20.

*Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2016*

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

Note 6 - Risk Management

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

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

Several Village 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 paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Village of Potsdam
Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Building Mortgage Note	\$18,391	6.375%
Total	\$18,391	

The Building Mortgage Note related to the purchase and remodeling of the municipal building. The note originally issued July 7, 1999 to be repaid in semiannual installments of \$5,000 plus interest over five years with a balloon payment of \$75,000 due in 2004. The note is a general obligation of the Village. The note for \$75,000 was refinanced on August 3, 2004 at 4.875% variable interest rate to be adjusted annually to the one year treasury rate plus 2.75%. The note was refinanced again on October 6, 2005 for the principal amount of \$71,698 at a fixed rate of interest of 7.15% through 2019. The note was refinanced again on March 5, 2009 at a fixed rate of interest of 6.375% through 2019. The note is being repaid in semiannual installments of \$4,095.

Amortization

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

Year Ending December 31:	Building Mortgage
2017	\$8,190
2018	8,190
2019	3,788
Total	\$20,168

Note 10 – Construction and Contractual Commitments

At December 31, 2016, the Village storm sewer and street reconstruction project was still on-going. Costs of approximately \$350,000 are expected to be incurred to complete the project in 2017. The project will be accounted for in a capital projects fund.



Dave Yost • Auditor of State

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

Village of Potsdam
Miami County
P.O. Box 52
Potsdam, Ohio 45361

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 Potsdam, Miami County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 18, 2018 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.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

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 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 report 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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

October 18, 2018

**VILLAGE OF POTSDAM
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness – Financial Statement Errors

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village did not properly account for receipt and disbursement transactions during the audit period.

The following errors were identified on the Village's 2016 annual report:

- Activity related to a capital project was incorrectly accounted for in a special revenue fund. This resulted in an overstatement in the special revenue fund of \$5,880 to intergovernmental revenue, \$7,000 to capital outlay expenditure, \$7,000 to transfer in, and \$5,880 to ending fund balance. Activity in the capital projects fund was understated by the same amounts.
- There were on-behalf payments that were not recorded to the capital projects fund. This resulted in a \$2,449 understatement to capital outlay expenditures and intergovernmental revenue in the fund.

The following errors were identified on the Village's 2017 annual report:

- There was a grant reimbursement received by the Village from the Ohio Public Works Commission in the amount of \$7,310. This was incorrectly recorded entirely to the general fund as miscellaneous revenue. The transaction should have been recorded as intergovernmental revenue to the funds that paid the related expenditures. The funds that paid the expenditure were the street construction and repair fund (\$4,500), state highway fund (\$540), and general fund (\$2,270).
- There were on-behalf payments that were not recorded to the capital projects fund. This resulted in a \$43,395 understatement to capital outlay expenditures and intergovernmental revenue in the fund.

All of the above items were adjusted on the Village's financial statements and the fund balance error was corrected on the Village's accounting system.

Failure to properly record financial activity could lead to material financial statement errors and misleading financial statement information.

Policies and procedures should be developed and implemented to verify that all financial activity is recorded correctly.

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

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Dave Yost • Auditor of State

VILLAGE OF POTSDAM

MIAMI 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
NOVEMBER 15, 2018