



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF MCGUFFEY
HARDIN COUNTY
DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



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Report on the Financial Statements, Internal Control, and Compliance

Village of McGuffey
Hardin County
P.O. Box 304
McGuffey, Ohio 45859

To the Members of Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of McGuffey, Hardin County, (the Village), as of and for the years ended December 31, 2018 and 2017. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2018-010 through 2018-016 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as item 2018-001 through 2018-009.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, prominent "K" and "F".

Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2020

Village of McGuffey, Ohio
Hardin County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$6,184	\$2,491	\$8,675
Municipal Income Tax	58,260	0	58,260
Intergovernmental	15,292	21,897	37,189
Special Assessments	0	7,428	7,428
Fines, Licenses and Permits	3,040	0	3,040
Earnings on Investments	162	200	362
Miscellaneous	21,063	380	21,443
<i>Total Cash Receipts</i>	<u>104,001</u>	<u>32,396</u>	<u>136,397</u>
Cash Disbursements			
Current:			
Security of Persons and Property	1	9,485	9,486
Public Health Services	894		894
Community Environment	74		74
Basic Utility Services	2,175		2,175
Transportation	18,589	25,183	43,772
General Government	99,246		99,246
<i>Total Cash Disbursements</i>	<u>120,979</u>	<u>34,668</u>	<u>155,647</u>
<i>Net Change in Fund Cash Balances</i>	(16,978)	(2,272)	(19,250)
<i>Fund Cash Balances, January 1</i>	<u>146,560</u>	<u>174,473</u>	<u>321,033</u>
Fund Cash Balances, December 31			
Restricted	0	172,201	172,201
Unassigned (Deficit)	129,582	0	129,582
<i>Fund Cash Balances, December 31</i>	<u><u>\$129,582</u></u>	<u><u>\$172,201</u></u>	<u><u>\$301,783</u></u>

See accompanying notes to the basic financial statements.

Village of McGuffey
Hardin County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
Proprietary Fund Type
For the Year Ended December 31, 2018

	Enterprise
Operating Cash Receipts	
Charges for Services	\$239,522
Miscellaneous	98
	239,620
<i>Total Operating Cash Receipts</i>	<i>239,620</i>
Operating Cash Disbursements	
Personal Services	60,045
Employee Fringe Benefits	6,957
Contractual Services	103,927
Supplies and Materials	48,744
	219,673
<i>Total Operating Cash Disbursements</i>	<i>219,673</i>
<i>Operating Income</i>	<i>19,947</i>
Non-Operating Receipts (Disbursements)	
Loans Issued	2,634
Capital Outlay	(23,606)
Principal Retirement	(65,221)
Interest and Other Fiscal Charges	(1,846)
	(88,039)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(88,039)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(68,092)</i>
<i>Fund Cash Balances, January 1</i>	<i>429,011</i>
<i>Fund Cash Balances, December 31</i>	<i>\$360,919</i>

See accompanying notes to the basic financial statements.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Village of McGuffey (the Village), Hardin 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 street maintenance and water and sewer utilities. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property. Fire protection is provided by the McGuffey Volunteer Fire Department.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in two jointly governed organizations and a public entity risk pool. Notes 6 and 11 to the financial statements provides additional information for these entities. 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 enterprise funds.

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 within the Village.

Light Assessment Fund - The light assessment fund accounts for special assessments restricted to provide street lighting.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the 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. The Village did not encumber all commitments required by Ohio Law.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village does not have any investments. All money is maintained in checking accounts.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, including subsequent year appropriations in excess of estimated receipts.

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 McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$102,012	\$104,001	\$1,989
Special Revenue	53,000	32,396	(20,604)
Enterprise	1,661,645	242,254	(1,419,391)
Total	\$1,816,657	\$378,651	(\$1,438,006)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$159,451	\$120,979	\$38,472
Special Revenue	91,850	34,667	57,183
Enterprise	1,788,512	310,346	1,478,166
Total	\$2,039,813	\$465,992	\$1,573,821

Note 4 – Equity in Pooled 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:

	2018
Demand deposits	\$662,702

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 5 - 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 6 - Risk Management / Public Entity Risk Pool

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village is a member of the Public Entities Pool of Ohio (PEP). The Pool assumes the risk of loss up to the limits of the Village's policy. PEP covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 6 - Risk Management / Public Entity Risk Pool (continued)

PEP reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Cash and Investments	\$35,381,789
Actuarial Liabilities	\$12,965,015

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village 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, 2018.

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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 9 - Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan #CP42C	\$75,000	0.00%
Ohio Public Works Commission Loan #CP06L	52,028	0.00
Ohio Water Development Authority Loan #3281	61,532	2.20
Ohio Water Development Authority Loan #7278	91,330	2.96
Total	\$279,890	

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 9 - Debt (continued)

During May 2000, the Village entered into loan agreement CP42C with the Ohio Public Works Commission (OPWC) for a sewer expansion project mandated by the Ohio Environmental Protection. The loan was in the amount of \$500,000 and is to be re-paid in semi-annual payments with a maturity in 2021. This debt is being repaid from the Sewer OPWC Loan No. 4 Fund.

During July 2008, the Village entered into loan agreement CP06L with the Ohio Public Works Commission (OPWC) for water meter installation and improvements. The loan was in the amount \$94,597 and is to be re-paid in semi-annual payments with a maturity in 2029. This debt is being repaid from the Water OPWC/OWDA Fund.

The Ohio Water Development Authority (OWDA) Loan #3281 was approved April 27, 2000 for the sewer plant expansion project mandated by the Ohio Environmental Protection Agency. The loan in the amount of \$509,336 is to be re-paid in semi-annual principal and interest payments and matures in 2020. This debt is being repaid from the Sewer OWDA Loan No. 3 Fund.

On March 31, 2016, the Village entered into loan agreement #7278 with the Ohio Water Development Authority (OWDA) for \$114,400 wastewater treatment facility improvements. As of December 31, 2018, the Village has received and disbursed \$96,397 from this loan. The project has not been completed, so therefore no amortization schedule is available.

Amortization

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

Year Ending December 31:	OPWC Loan #CP42C	OPWC Loan #CP06L	OWDA Loan #3281
2019	\$25,000	\$4,730	\$31,617
2020	25,000	4,730	31,617
2021	25,000	4,730	0
2022	0	4,730	0
2023	0	4,730	0
2024-2028	0	23,650	0
2029	0	4,728	0
Total	\$75,000	\$52,028	\$63,234

Note 10 – Contingent Liabilities

There are currently no matters of litigation with the Village as defendant.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 11 – Jointly Governed Organizations

Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is governed by a Board consisting of members from Hardin County, the municipalities and townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Township is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

The Upper Scioto Valley Ambulance District

The Upper Scioto Valley Ambulance District (the District) is a jointly governed entity governed by a five-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Marion Township, McDonald Township, Roundhead Township, the Village of Alger, and the Village of McGuffey in Hardin County. The District provides ambulance services within the District. Financial information can be obtained from Joyce Campbell, Clerk, P.O. Box 83, Alger, Ohio 45812.

Village of McGuffey, Ohio
Hardin County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$6,523	\$2,531	\$9,054
Municipal Income Tax	55,800	0	55,800
Intergovernmental	15,172	60,127	75,299
Special Assessments	0	7,840	7,840
Fines, Licenses and Permits	0	0	0
Earnings on Investments	389	0	389
Miscellaneous	22,436	0	22,436
<i>Total Cash Receipts</i>	<u>100,320</u>	<u>70,498</u>	<u>170,818</u>
Cash Disbursements			
Current:			
Security of Persons and Property	48,727	13,033	61,760
Public Health Services	908	0	908
Leisure Time Activities	131	0	131
Basic Utility Services	3,524	9,636	13,160
Transportation	5,669	57,686	63,355
General Government	46,624	2,971	49,595
Capital Outlay	340	0	340
<i>Total Cash Disbursements</i>	<u>105,923</u>	<u>83,326</u>	<u>189,249</u>
<i>Net Change in Fund Cash Balances</i>	(5,603)	(12,828)	(18,431)
<i>Fund Cash Balances, January 1</i>	<u>152,163</u>	<u>187,301</u>	<u>339,464</u>
Fund Cash Balances, December 31			
Restricted	0	174,473	174,473
Assigned	57,439	0	57,439
Unassigned (Deficit)	89,121	0	89,121
<i>Fund Cash Balances, December 31</i>	<u>\$146,560</u>	<u>\$174,473</u>	<u>\$321,033</u>

See accompanying notes to the basic financial statements.

Village of McGuffey
Hardin County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Enterprise
Operating Cash Receipts	
Charges for Services	\$236,502
<i>Total Operating Cash Receipts</i>	<i>236,502</i>
Operating Cash Disbursements	
Personal Services	40,961
Employee Fringe Benefits	11,397
Contractual Services	66,280
Supplies and Materials	16,471
Other	25,466
<i>Total Operating Cash Disbursements</i>	<i>160,575</i>
<i>Operating Income</i>	<i>75,927</i>
Non-Operating (Disbursements)	
Principal Retirement	(64,576)
Interest and Other Fiscal Charges	(2,504)
<i>Total Non-Operating (Disbursements)</i>	<i>(67,080)</i>
<i>Net Change in Fund Cash Balances</i>	<i>8,847</i>
<i>Fund Cash Balances, January 1</i>	<i>420,164</i>
<i>Fund Cash Balances, December 31</i>	<i>\$429,011</i>

See accompanying notes to the basic financial statements.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Village of McGuffey (the Village), Hardin 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 street maintenance and water and sewer utilities. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property. Fire protection is provided by the McGuffey Volunteer Fire Department.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in two jointly governed organizations and a public entity risk pool and is associated with two jointly governed organizations. Notes 6 and 11 to the financial statements provides additional information for these entities. 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 enterprise funds.

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 within the Village.

County Permissive Motor Vehicle License Tax Fund - This fund accounts for permissive license tax money collected by the County to be used for street repairs in the Village streets. When a project is done the village will request a disbursement from the county.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the 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. The Village did not encumber all commitments required by Ohio Law.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village does not have any investments. All money is maintained in checking accounts.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, including subsequent year appropriations in excess of estimated receipts.

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 McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,717	\$100,320	\$8,603
Special Revenue	71,800	70,498	(1,302)
Enterprise	243,645	236,502	(7,143)
Total	\$407,162	\$407,320	\$158

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$145,701	\$105,923	\$39,778
Special Revenue	85,467	83,326	2,141
Enterprise	284,446	227,655	56,791
Total	\$515,614	\$416,904	\$98,710

Note 4 – Equity in Pooled 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:

	2017
Demand deposits	\$750,044

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 5 - 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 6 - Risk Management / Public Entity Risk Pool

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 - Risk Management / Public Entity Risk Pool (continued)

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	2017
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$7,000.

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

2017 Contributions to PEP

\$10,753

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village 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.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 - Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan #CP42C	\$100,000	0.00%
Ohio Public Works Commission Loan #CP06L	56,758	0.00
Ohio Water Development Authority Loan #3281	91,303	2.20
Ohio Water Development Authority Loan #7278	94,416	2.96
Total	\$342,477	

During May 2000, the Village entered into loan agreement CP42C with the Ohio Public Works Commission (OPWC) for a sewer expansion project mandated by the Ohio Environmental Protection. The loan was in the amount of \$500,000 and is to be re-paid in semi-annual payments with a maturity in 2021. This debt is being repaid from the Sewer OPWC Loan No. 4 Fund.

During July 2008, the Village entered into loan agreement CP06L with the Ohio Public Works Commission for water meter installation and improvements. The loan was in the amount \$94,597 and is to be re-paid in semi-annual payments with a maturity in 2029. This debt is being repaid from the Water OPWC/OWDA Fund.

The Ohio Water Development Authority (OWDA) loan 3281 was approved April 27, 2000 for the sewer plant expansion project mandated by the Ohio Environmental Protection Agency. The loan in the amount of \$509,336 is to be re-paid in semi-annual principal and interest payments and matures in 2020. This debt is being repaid from the Sewer OWDA Loan No. 3 Fund.

In April of 2016, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) loan 7278 for \$114,400 wastewater treatment facility improvements. As of December 31, 2017, the Village has received and disbursed \$96,397 from this loan. The project has not been completed, so therefore no amortization schedule is available.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 - Debt (continued)

Amortization

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

Year Ending December 31:	OPWC Loan #CP42C	OPWC Loan #CP06L	OWDA Loan #3281
2018	\$25,000	\$4,730	\$31,617
2019	25,000	4,730	31,617
2020	25,000	4,730	31,617
2021	25,000	4,730	0
2022	0	4,730	0
2023-2027	0	23,649	0
2028-2029	0	9,459	0
Total	\$100,000	\$56,758	\$94,851

Note 10 – Contingent Liabilities

There are currently no matters of litigation with the Village as defendant.

Note 11 – Jointly Governed Organizations

Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is governed by a Board consisting of members from Hardin County, the municipalities and townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Township is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 11 – Jointly Governed Organizations (continued)

The Upper Scioto Valley Ambulance District

The Upper Scioto Valley Ambulance District (the District) is a jointly governed entity governed by a five-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Marion Township, McDonald Township, Roundhead Township, the Village of Alger, and the Village of McGuffey in Hardin County. The District provides ambulance services within the District. Financial information can be obtained from Joyce Campbell, Clerk, P.O. Box 83, Alger, Ohio 45812.

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**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDING NUMBER 2018-001

Noncompliance Citation

Ohio Rev. Code § 9.38 states in part that a person who is a public official other than a state officer, employee, or agent “shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.”

The Village received \$2,911.82 in municipal income tax receipts (receipt #705828) on June 16, 2018; however, these receipts were not deposited in the bank or with the Fiscal Officer until June 25, 2018. Also it was noted that municipal income tax receipts were usually held for one week prior to deposit.

The failure to deposit receipts in a timely manner increases the risk that Village money could be lost or used for personal reasons, along with the loss of interest revenue.

The Village should implement a procedure(s) and/or control(s) to help ensure all receipts are deposited timely. If practical, the Village could adopt a policy as permitted by this Ohio Revised Code Section.

FINDING NUMBER 2018-002

Noncompliance Citation

Ohio Rev. Code § 117.103(B)(1) states “a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment.” Additionally, **Ohio Rev. Code § 117.103(B)(2)** requires “each public office to make all employees aware of the fraud-reporting system on the effective date of this requirement,” which was May 4, 2012.

There was no evidence that existing or newly hired employees and officials were made aware of this requirement or signed confirmations indicating they were made aware of the system.

The failure to inform employees of the Ohio fraud reporting system inhibits their ability to report fraud.

The Village should implement a control(s) and/or procedure(s) to help ensure that both existing and new employees and officials are informed of the fraud reporting system and maintain evidence of the notification in the employee personnel files. A form such as found on the Auditor of State website at [https://ohioauditor.gov/fraud/ FraudReportingSystemModelForm.pdf](https://ohioauditor.gov/fraud/FraudReportingSystemModelForm.pdf) can be used or the Village can develop its own form.

FINDING NUMBER 2018-003

Noncompliance Citation

Ohio Rev. Code § 121.22(G)(1) states, in part, “the motion and vote to hold that executive session shall state which one or more of the approved purposes listed in division (G)(1) of this section are the purposes for which the executive session is to be held” If the purpose of the executive session is to discuss one of the matters included in the personnel exception, the motion must specify which one of those specific matters will be discussed.

During 2018 and 2017, the Village Council entered into executive session seven times. For two of the sessions, the Council entered into executive session for the purpose of discussing personnel; however, the Council failed to specify which of the specific personnel matters was being discussed in the executive sessions. For one of the executive sessions entered into, the Council entered into executive session but did not specify the reason for the executive session.

The improper use of executive session privileges could result in an injunction being issued, in which case the Council could be required to correct its actions, and be responsible for paying various court costs, fines, and attorney fees.

Council should review the Ohio Sunshine Laws, specifically focusing on the Ohio Open Meetings Act referenced in Ohio Rev. Code Section 121.22 to develop and implement procedures to follow when utilizing executive sessions. These resources are available at www.ohioauditor.gov.

FINDING NUMBER 2018-004

Noncompliance Citation

Ohio Rev. Code § 149.351(A), states, in part, that “all records are the property of the public office concerned 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 commission provided for under sections 149.38 to 149.42 of the Revised Code Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated, or transferred unlawfully.”

The Village did not retain the utility charges for services ledgers for February and March of 2018. Based on the total utility charges for services receipts collected in 2018 of \$239,522, the missing ledgers accounted for approximately sixteen percent of the total utility receipts.

Failure to maintain the required ledgers increases the risk that receipt transactions cannot be easily summarized and reviewed for accuracy which may prevent the detection of errors and/or irregularities.

The Village should implement a procedure(s) and/or control to help ensure that utility charges for services ledgers are maintained and only removed or destroyed in accordance with a record retention schedule.

FINDING NUMBER 2018-005

Noncompliance Citation

Ohio Rev. Code § 149.43(E)(2) states, in part, that all public offices shall adopt a public records policy in compliance with this section for responding to public records requests. In adopting a public records policy under this division, a public office may obtain guidance from the model public records policy developed and provided to the public office by the attorney general under section 109.43 of the Revised Code. The public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The public office may post its public records policy on the internet web site of the public office if the public office maintains an internet web site.

Ohio Rev. Code § 149.43(B)(2) requires “a public office to have available a copy of its current records retention schedule at a location readily available to the public.”

Ohio Rev. Code § 149.43(E)(1) states that to ensure that all employees of public offices are appropriately educated about a public office’s obligations under division (B) of this section, all elected officials or their appropriate designees shall attend training approved by the attorney general as provided in section 109.43 of the Revised Code. A future official may satisfy the requirements of this division by attending the training before taking office, provided that the future official may not send a designee in the future official's place.

There was no evidence that the Village had adopted a public records policy or records retention schedule, and neither the elected officials nor their designee have attended the required records training during their terms in office. The lack of such policies may result in misunderstandings with the public or amongst Officials when it comes to records requests and could result in the improper destruction of records. By not attending the required training, employees of the Village may not be appropriately educated about a public office’s obligations under division (B) of this section and may not follow appropriate steps regarding public record keeping and availability.

Council should review the Ohio Revised Code requirements and adopt a public records policy and a records retention policy. Also a control(s) and/or procedure(s) should be adopted, such as a reminder system, to help assure that the required records training is attended by an elected official(s) or designee. Finally a poster should be printed with the public records policy and be put on display for the public.

FINDING NUMBER 2018-006

Noncompliance Citation

Ohio Rev. Code § 705.27 states “except as otherwise provided in the municipal charter or in section 3.061 of the Revised Code, that the treasurer, auditor, and such other officers or employees of the municipal corporation as the legislative authority directs, shall give a bond to the municipal corporation for the faithful performance of their duties, in such sum as the legislative authority fixes by ordinance or resolution. Premiums on official bonds may be paid by the municipal corporation.”

During 2018 and 2017, the Income Tax Clerk was not bonded.

The failure to require bonds of a sufficient amount or the failure to bond all individuals with access to financial resources, increases the risk of financial harm to the Village in the event of theft or errors and/or irregularities.

**FINDING NUMBER 2018-006
(Continued)**

The Income Tax Clerk should be bonded, along with any other officials or employees who have the ability to access the Village depository accounts.

FINDING NUMBER 2018-007

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(1) states that no subdivision 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. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time 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 for the payment of the amount due. The Village has thirty days from 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 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.
- B. Blanket Certificate** - Fiscal Officer may prepare "blanket" certificates for a certain sum of money not to 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. 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 appropriations.
- C. Super Blanket Certificate** - The Village may also make expenditures and contract 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. The certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for the majority of the Village's disbursements during 2018 and 2017 and there was no evidence that the Village followed the aforementioned exceptions for these disbursements.

**FINDING NUMBER 2018-007
 (Continued)**

Failure to properly certify the availability of funds can result in overspending and deficit fund cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but 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, the Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2018-008

Noncompliance Citation

Ohio Water Development Authority (OWDA) Agreement Loan #3281 Article V Section 5.6 states that any insurance policy issued pursuant to Section 5.4 hereof shall be so written or endorsed as to make losses, if any, payable to the OWDA and the Village as their respective interests may appear.

The Village did obtain insurance for the appropriate liability amount, however the insurance policy did not specify that losses are to be made payable to OWDA.

The failure to follow requirements outlined in OWDA loan agreements could have a detrimental impact of the current loan agreements and/or result in future loss of funding from the OWDA.

The Village should modify the insurance policy to include the OWDA as a payee. Future and existing debt agreements should be reviewed to help ensure compliance with all requirements.

FINDING NUMBER 2018-009

Noncompliance Citation / Finding for Recovery - Overpayment of Officials

Village Ordinance No 99-05 adopted on January 18, 1999 indicates that Village Council Members, Board of Public Affair Members, and the Mayor shall be paid \$75 per meeting attended concerning village business.

During 2017, the following Council Member was overpaid for meetings attended:

Name	Position	Meetings Attended	Meetings Paid	Additional Meetings Paid	Overpayment
Tim Jordan	Council Member	3	4	1	\$75

**FINDING NUMBER 2018-009
 (Continued)**

During 2018, the following Council Members, Board of Public Affairs Members and Mayor were overpaid for meetings attended:

Name	Position	Meetings Attended	Meetings Paid	Additional Meetings Paid	Overpayment
Greg Howard	Mayor	28	34	6	\$450 (6*\$75)
Robert J. Spradlin	Council Member	20	21	1	\$75 (1*\$75)
Anthony R. Mickey	Council Member	9	11	2	\$150 (2*\$75)
Drake J. Krummrey	Council Member	17	18	1	\$75 (1*\$75)
Randy W. Woolford	Council Member	26	27	1	\$75 (1*\$75)
Charles H. Carey	Council Member	16	17	1	\$75 (1*\$75)
Loyd E. Conley	Board of Public Affairs Member	13	15	2	\$150 (2*\$75)
Jamie James Davis	Board of Public Affairs Member	16	17	1	\$75 (1*\$75)

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former Council Member, Tim Jordan, in the amount of \$75 and in favor of the General Fund in the amount of \$75.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former Mayor, Greg Howard, in the amount of \$450 and in favor of the General Fund in the amount of \$420; Water Operating Fund in the amount of \$15; and Sewer Operating Fund in the amount of \$15.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Council Member, Robert J. Spradlin, in the amount of \$75 and in favor of the General Fund in the amount of \$75.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Council Member, Anthony R. Mickey, in the amount of \$150 and in favor of the General Fund in the amount of \$150.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Council Member, Drake J. Krummrey, in the amount of \$75 and in favor of the General Fund in the amount of \$75.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Council Member, Randy W. Wolford, in the amount of \$75 and in favor of the General Fund in the amount of \$75.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Council Member, Charles H. Carey, in the amount of \$75 and in favor of the General Fund in the amount of \$75.

**FINDING NUMBER 2018-009
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Board of Public Affairs Member, Loyd E. Conley, in the amount of \$150 and in favor of the Water Operating Fund in the amount of \$75 and the Sewer Operating Fund in the amount of \$75.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Board of Public Affairs Member, Jamie James Davis, in the amount of \$75 and in favor of the Water Operating Fund in the amount of \$38 and the Sewer Operating Fund in the amount of \$37.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Fiscal Officer, Norma Sieg, and Council Member, Drake Krummrey signed the warrant resulting in \$225 of the improper payments to Mayor, Greg Howard and the warrant resulting in the improper payment to Council Member, Tim Jordan. Accordingly former Fiscal Officer, Norma Sieg, and former Council Member, Drake Krummrey, will be jointly and severally liable in the amount of \$300 and in favor of the General Fund in the amount of \$270; the Water Operating Fund in the amount of \$15; and the Sewer Operating Fund in the amount of \$15, to the extent that recovery of restitution is not obtained from former Mayor, Greg Howard, and former Council Member, Tim Jordan. Fiscal Officer, Norma Sieg's bonding company is Liberty Mutual Surety.

Fiscal Officer TJ Carter, signed the warrants resulting in \$225 of the improper payments to Mayor, Greg Howard, and the improper payments to Council Member Robert Spradlin, Council Member, Anthony Mickey, Council Member, Drake Krummrey, Council Member, Randy Wolford, Council Member, Charles Carey, Board of Public Affairs Member, Lloyd Conley and Board of Public Affairs Member, Jamie Davis. Accordingly, Fiscal Officer, TJ Carter, will be jointly and severally liable in the amount of \$900 and in favor of the General Fund in the amount of \$675; the Water Operating Fund in the amount of \$113; and the Sewer Operating Fund in the amount of \$112 to the extent that recovery of restitution is not obtained from former Mayor, Greg Howard, Council Member, Robert Spradlin, Council Member, Anthony Mickey, Council Member, Drake Krummrey, Council Member, Randy Woolford, Council Member, Charles Carey, Board of Public Affairs Member, Lloyd Conley and Board of Public Affairs Member, Jamie Davis. Fiscal Officer, TJ Carter's bonding company is Liberty Mutual Surety.

The Village should implement a procedure(s) and/or control(s) to help ensure that documentation exists to support the number of meetings attended by Officials. On such procedure could be the review of attendance documented in the Minutes when approving the prior Minutes.

FINDING NUMBER 2018-010

Internal Control Deficiency – Segregation of Duties

The U.S. Government Accountability Office's (GAO) Green Book defines segregation of duties as a process where management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. So that no one individual controls all key aspects of a transaction or event, this includes separating the responsibilities for:

- Authorizing transactions
- Processing and recording transactions,
- reviewing the transactions, and
- Handling any related assets

Due to the limited size of the Village, there was a lack of segregation of duties for property and other local tax receipts, special assessment receipts, intergovernmental receipts, miscellaneous receipts, municipal income tax receipts, and charges for services receipts.

The Fiscal Officer collected, recorded receipts into the accounting records and took the deposits to the bank for property and other local tax receipts, special assessments receipts, intergovernmental receipts and miscellaneous receipts.

The Tax Administrator collected, recorded receipts into the subsidiary manual records, and took the deposits to the bank for municipal income tax receipts.

The Fiscal Officer collected charges for services receipts, however, during the audit period when the Village employed an assistant fiscal officer they attempted to segregate collecting the receipts from preparing the bank deposit but that was not always possible. The Fiscal Officer always recorded the transactions in the accounting records and took the deposit to the bank.

There is a risk that when an individual is performing all tasks, fraudulent activity could occur without detection in a timely manner.

Due to the small size of the Village and the potential financial burden of hiring additional employees, the Village should implement compensating controls to reduce the risk from incompatible duties. Such compensating controls could include but not be limited to Council or a sub-committee of Council such as a finance or audit committee performing a detailed review of the accounting and utility records, bank to book reconciliation procedures, and non-cash adjustments to utility accounts.

FINDING NUMBER 2018-011

Internal Control Deficiency – Review of Budget Versus Actual Activity Reports and Bank to Book Reconciliations

To help ensure receipts and disbursements are in-line with the amounts budgeted and to improve accountability, the Council should review budget versus actual reports for both receipts and disbursements and monthly bank to book reconciliations. There was no evidence that the Council reviewed budget versus actual activity reports or the bank to book reconciliations in 2018 or 2017.

**FINDING NUMBER 2018-011
(Continued)**

The Council periodically received financial reports throughout 2018 and 2017; however, the reports did not include detailed information regarding receipts and disbursements or budget versus actual information.

The failure to monitor budget versus actual activity increases the risk, that spending will not be consistent with the Council approved budget, of deficit spending if negative trends are not detected timely, and the violation of budgetary laws. The failure to review monthly bank reconciliations also increases the risk that errors and/or irregularities will not be detected timely.

The Fiscal Officer should provide Council with monthly budget versus actual receipt and disbursement reports and bank to book reconciliations for their review and approval. Periodically a review should be performed to verify that the budgeted amounts reported agree to the amounts approved by Council. As part of the bank to book reconciliation review and approval process, Council or the Finance Committee should periodically determine if the reported bank and book balances are correct and that all reconciling items are supported. Unsupported reconciling items should be investigated and resolved in a timely manner. Evidence of Council's review and approval of all budget versus actual reports and the bank to book reconciliations should be noted on the documents reviewed and/or in the Minutes.

FINDING NUMBER 2018-012

Internal Control Deficiency – Income Tax Bank Account

All accounts under the control of the Village should be included in the accounting records and monthly bank to book reconciliations.

The balance of the income tax checking account was not included in the accounting records or on the bank to book reconciliation at year-end. At December 31, 2018, the balance in the account was \$408.69. At December 31, 2017, the balance in the account was \$826.56.

Failure to include the balance and activity of the income tax checking account on the financial statements at year-end could result in material understatement of the Village's fund balance and/or activity at year-end. This practice also increases the risk of errors and/or irregularities not being detected in a timely manner.

The year-end balance and activity of the income tax account should be adjusted onto the Village's financial statements. In addition, the income tax account monthly bank to book reconciliations should either be included as part of the accounting system bank to book reconciliation or be provided separately to Council.

FINDING NUMBER 2018-013

Internal Control Deficiency – Policy for Disbursements Unrelated to Daily Operations

The Village should have a formal policy in place to specify how disbursements such as gift cards or food for employees and candy are considered to be a proper public purpose. The Village did not have a policy in place related to these types of disbursements; however, the following transactions were noted:

- On January 8, 2017, the Village paid \$50 for a gift card from a local retail store for a Council Member during a hospital stay;
- On March 28, 2017, the Village paid \$6.98 for candy from a local retail store; and

**FINDING NUMBER 2018-013
(Continued)**

- On June 29, 2017, the Village paid \$46.74 for food for employees from a local restaurant.

Although the council did approve these payments, failure to have a policy in place increases the risk that purchases will be made that would not have been approved by the Council and/or the illegal expenditure of public money. In some situations, questionable disbursements can result in findings for recovery against the individual(s) authorizing and/or receiving the benefit.

Council should adopt a formal policy related to items such as gift cards, food, candy, and for all other purchases that are not part of the daily operations of the Village. This policy should include at a minimum, the maximum dollar amount of each purchase and should specifically identify situations in which these types of disbursements are deemed appropriate and how they are considered to be a proper public purpose.

FINDING NUMBER 2018-014

Internal Control Deficiency – Timely Recording of Income Tax Receipts

Income tax receipts should be recorded in the accounting system when collected.

During 2018, six of the seven (86%) municipal income tax receipts tested were not recorded in the accounting system until one to four weeks after collection. During 2017, three out of the eight (38%) municipal income tax receipts tested were not recorded in the accounting system until one to two weeks after collection.

The failure to record receipts when collected increases the risk that errors and/or irregularities will not be detected in a timely manner.

The Village should implement a procedure(s) and/or control(s) to ensure income tax receipts are recorded in the accounting system within a reasonable time period.

FINDING NUMBER 2018-015

Internal Control Deficiency – Approval of Utility Rates

Ordinances should be in place that clearly specify the rates to be charged for utility services. Also procedures and controls should be in place to help ensure the approved rates are charged to customers.

During 2018 and 2017, Ordinance 2013-11 was in place to regulate the sewer rates and Ordinance 2009-10 was in place to regulate water rates. These ordinances did not clearly specify the rates that each customer should be charged. As a result, during 2018 and 2017, based on the information provided, twelve out of fifty-four (22% or \$391.00 variance) utility receipts tested and fourteen out of eighty-five (16% or \$153.66 variance) utility receipts tested did not appear to be charged the proper rate.

Failure to have ordinances in place to clearly identify the rate that should be charged could result in customer's being charged the incorrect amount and could result in the over or under charging for utility services.

The existing Ordinances should be updated in order to more clearly identify the rates that are to be charged to each customer. Once the Ordinances are formally adopted, the Village should implement a procedure(s) and/or control to ensure the approved rates are being charged.

FINDING NUMBER 2018-016

Internal Control Deficiency – Accuracy of Financial Reporting

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 following errors were identified in December 31, 2017 financial statements:

- Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, (GASB Codification 1800.165), effective for periods beginning after June 15, 2010, established criteria for classifying fund balances into specifically defined classifications based on the constraints placed upon the resources. GASB 54 was not implemented for the year ending December 31, 2017.

As a result of not implementing GASB 54, the General Fund ending balance of \$146,560 had to be reclassified from fund cash balance to assigned fund balance of \$57,439 and unassigned fund balance of \$89,121. The Special Revenue Fund ending fund balance of \$174,473 had to be reclassified from fund cash balance to restricted fund balance.

- Village permissive motor vehicle license tax in the amount of \$2,531 was classified as intergovernmental receipts instead of property and other local tax receipts in the Permissive Motor Vehicle License Tax Fund.

The notes to the financial statements for the year ended 2018 had errors in the debt disclosures. The notes to the financial statements for the year ended December 31, 2017 included disclosures that were not applicable to the Village, had errors in the budgetary note, and the debt note.

The accompanying financial statements and notes to the financial statements have been adjusted to correct these recording errors.

Other errors ranging from \$409 to \$4,000 were not adjusted in the accompanying financial statements.

The failure to review the annual financial statements and notes to the financial statements along with a more in-depth review of the accounting records may have contributed to these errors.

FINDING NUMBER 2018-016
(Continued)

Errors in the financial statements and notes to the financial statements may impact the user's understanding of the financial operations, the ability to make sound financial decisions, and result in the material misstatement of the financial statements and notes.

The Fiscal Officer and Council or a sub-committee of Council such as a finance committee, should review the annual financial statements and notes to the financial statements to help identify and correct errors such as those identified above.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the findings reported above.

Village of McGuffey
Hardin County

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2018 and 2017

Finding Number	Finding Summary	Fully Corrected?
2016-001	Material weakness – Accuracy of financial reporting	No

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MCGUFFEY

HARDIN 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
APRIL 7, 2020