



Dave Yost • Auditor of State

VILLAGE OF GETTYSBURG
DARKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2013	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balance - Proprietary Fund Type - For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Gettysburg
Darke County
216 High Street
Gettysburg, Ohio 45328

To the Village Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Gettysburg, Darke County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1B 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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Gettysburg, Darke County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Emphasis of Matter

As discussed in Note 2, the Village restated fund balances at January 1, 2012 for the Permanent and Special Revenue Funds. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, 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 31, 2014

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$16,197	\$21,190		\$37,387
Intergovernmental	35,041	74,047		109,088
Charges for Services			\$2,640	2,640
Fines, Licenses and Permits	3,831			3,831
Earnings on Investments	1,245			1,245
Miscellaneous	2,290	17,422	836	20,548
Total Cash Receipts	<u>58,604</u>	<u>112,659</u>	<u>3,476</u>	<u>174,739</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	29,230			29,230
Public Health Services	835			835
Leisure Time Activities		10,211		10,211
Community Environment	2,047			2,047
Transportation	18,762	57,874		76,636
General Government	37,641	519	6,070	44,230
Capital Outlay		5,000	21,567	26,567
Debt Service:				
Principal Retirement		5,563		5,563
Total Cash Disbursements	<u>88,515</u>	<u>79,167</u>	<u>27,637</u>	<u>195,319</u>
Excess of Receipts Over (Under) Disbursements	<u>(29,911)</u>	<u>33,492</u>	<u>(24,161)</u>	<u>(20,580)</u>
Other Financing Receipts (Disbursements):				
Other Debt Proceeds			75,000	75,000
Advances In			4,200	4,200
Advances Out	(4,200)			(4,200)
Total Other Financing Receipts (Disbursements)	<u>(4,200)</u>		<u>79,200</u>	<u>75,000</u>
Net Change in Fund Cash Balances	(34,111)	33,492	55,039	54,420
Fund Cash Balances, January 1	<u>27,477</u>	<u>34,553</u>	<u>535</u>	<u>62,565</u>
Fund Cash Balances, December 31:				
Restricted		68,045		68,045
Committed			55,574	55,574
Unassigned (Deficit)	(6,634)			(6,634)
Fund Cash Balances, December 31	<u>(\$6,634)</u>	<u>\$68,045</u>	<u>\$55,574</u>	<u>\$116,985</u>

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

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$277,146
Total Operating Cash Receipts	<u>277,146</u>
Operating Cash Disbursements:	
Personal Services	26,193
Employee Fringe Benefits	2,114
Contractual Services	57,526
Supplies and Materials	46,546
Other	3,800
Total Operating Cash Disbursements	<u>136,179</u>
Operating Income (Loss)	<u>140,967</u>
Non-Operating Receipts (Disbursements):	
Capital Outlay	(34,000)
Principal Retirement	(102,668)
Interest and Other Fiscal Charges	(1,243)
Total Non-Operating Receipts (Disbursements)	<u>(137,911)</u>
Net Change in Fund Cash Balance	3,056
Fund Cash Balance, January 1	<u>167,621</u>
Fund Cash Balance, December 31	<u><u>\$170,677</u></u>

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

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$18,086	\$23,661		\$41,747
Intergovernmental	50,677	27,145		77,822
Charges for Services			\$315	315
Fines, Licenses and Permits	3,752			3,752
Earnings on Investments	312	2		314
Miscellaneous	603	8,107	86	8,796
Total Cash Receipts	<u>73,430</u>	<u>58,915</u>	<u>401</u>	<u>132,746</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	32,193	22,967		55,160
Public Health Services	1,919			1,919
Leisure Time Activities	307	4,689		4,996
Community Environment	2,509			2,509
Transportation	17,552	13,088		30,640
General Government	37,325	579	4,966	42,870
Capital Outlay		3,113	16,900	20,013
Debt Service:				
Principal Retirement		2,781		2,781
Total Cash Disbursements	<u>91,805</u>	<u>47,217</u>	<u>21,866</u>	<u>160,888</u>
Excess of Receipts Over (Under) Disbursements	<u>(18,375)</u>	<u>11,698</u>	<u>(21,465)</u>	<u>(28,142)</u>
Other Financing Receipts (Disbursements):				
Advances In			22,000	22,000
Advances Out	(22,000)			(22,000)
Total Other Financing Receipts (Disbursements)	<u>(22,000)</u>		<u>22,000</u>	
Net Change in Fund Cash Balances	(40,375)	11,698	535	(28,142)
Fund Cash Balances, January 1, Restated	<u>67,852</u>	<u>22,855</u>		<u>90,707</u>
Fund Cash Balances, December 31:				
Restricted		34,553		34,553
Committed			535	535
Assigned	17,076			17,076
Unassigned (Deficit)	10,401			10,401
Fund Cash Balances, December 31	<u>\$27,477</u>	<u>\$34,553</u>	<u>\$535</u>	<u>\$62,565</u>

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

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$253,670
Total Operating Cash Receipts	253,670
Operating Cash Disbursements:	
Personal Services	25,716
Employee Fringe Benefits	3,114
Contractual Services	67,966
Supplies and Materials	19,153
Total Operating Cash Disbursements	115,949
Operating Income (Loss)	137,721
Non-Operating Receipts (Disbursements):	
Capital Outlay	(30,140)
Principal Retirement	(86,683)
Interest and Other Fiscal Charges	(1,243)
Total Non-Operating Receipts (Disbursements)	(118,066)
Net Change in Fund Cash Balance	19,655
Fund Cash Balance, January 1	147,966
Fund Cash Balance, December 31	\$167,621

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

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Gettysburg, Darke County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides trash collection, water and sewer utilities, and park operations. The Village contracts with the Darke County Sheriff's department to provide security of persons and property. The Village contracts with Gettysburg Fire and Rescue to receive fire protection services

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Highway - This fund receives gasoline tax and motor vehicle tax money for maintaining the portion of state highway that passes through the village corporation.

Other Special Revenue – This fund receives money from Fire and EMS operating levy to fund emergency services.

Federal Grants – This fund receives money associated with the Community Development Block Grant (CDBG) Program received from the County.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Gettysburg School Fund – This fund receives contributions and user fees for repair and maintenance of the Cardinal Center.

4. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

Sanitary Sewer- Debt Retirement Fund - This fund receives charges for services from residents to cover sanitary sewer debt retirement.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, 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.

Contrary to Ohio Revised Code Section 5705.40, Council did not approve all appropriation amendments posted to the budgetary accounting system. Additionally, contrary to Ohio Revised Code Section 5705.41(B), the Village had expenditures which exceeded appropriations.

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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.

3. 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 re-appropriated in the subsequent year.

Contrary to Ohio Revised Code Section 5705.41(D), the Village did not properly encumber all expenditures.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

F. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

2. FUND BALANCE RESTATEMENT

The Village restated fund balances at January 1, 2012, for the Permanent and Special Revenue Funds. The Village's Gettysburg Youth Fund was previously classified incorrectly as a Permanent Fund; however based on GASB 54 guidelines, the fund should be a Special Revenue Fund. The following table shows the change in fund balances.

	<u>Permanent Fund</u>	<u>Special Revenue Fund</u>
December 31, 2011 Fund Balance	\$3,004	\$19,851
Prior Period Adjustment	(3,004)	3,004
Restated January 1, 2012 Fund Balance	<u>\$0</u>	<u>\$22,855</u>

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$157,695	\$161,908
Certificates of deposit	44,302	36,057
Loan deposits	53,432	
Total deposits	<u>255,429</u>	<u>197,965</u>
STAR Ohio	32,233	32,221
Total deposits and investments	<u>\$287,662</u>	<u>\$230,186</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$81,183	\$58,604	(\$22,579)
Special Revenue	100,350	112,659	12,309
Capital Projects	36,567	82,676	46,109
Enterprise	264,910	277,146	12,236
Total	<u>\$483,010</u>	<u>\$531,085</u>	<u>\$48,075</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,459	\$92,715	\$9,744
Special Revenue	69,843	79,167	(9,324)
Capital Projects	27,637	27,637	
Enterprise	286,510	274,090	12,420
Total	<u>\$486,449</u>	<u>\$473,609</u>	<u>\$12,840</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,423	\$73,430	\$22,007
Special Revenue	55,680	58,915	3,235
Capital Projects	19,000	22,401	3,401
Enterprise	263,000	253,670	(9,330)
Total	<u>\$389,103</u>	<u>\$408,416</u>	<u>\$19,313</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$119,071	\$113,805	\$5,266
Special Revenue	59,148	47,217	11,931
Capital Projects	20,000	21,866	(1,866)
Enterprise	282,241	234,015	48,226
Total	<u>\$480,460</u>	<u>\$416,903</u>	<u>\$63,557</u>

5. PROPERTY TAX

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

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

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

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan – Wellsite & Wells CK720	\$90,000	0%
VCIF/OWDA – Water Treatment #3675	57,731	2%
OPWC – Water Treatment – CT42F	97,684	0%
OPWC Loan – Bridge St Phase I CT29G	20,276	0%
OPWC Loan – Bridge St Phase II CT36H	22,800	0%
OPWC Bridge Street III – CK05J	27,550	0%
WPCLF Surplus Fund OWDA #4808	1,022,891	0%
OPWC Loan – Central Wastewater Collection – CT21K	69,333	0%
Greenville National Bank - Cardinal Center	75,000	3%
Total	<u>\$1,483,265</u>	

The OPWC Loan – Wellsite & Wells CK720 was for the well field replacement project. Payments are due semiannually in the amount of \$10,000 with final payment January 1, 2018.

The OPWC – Water Treatment CT42F loan was for the construction of a new water treatment plant for the Village. Semiannual payments are due in the amount of \$4,652, with final payment January 1, 2024.

The OPWC Loans Bridge Street Phase I, Phase II, and Phase III consist of three loans for the Phase I, II, and III bridge street project. Payments are due semiannual in the amount of \$882, \$950, and \$950 respectively with final payments due January 1, 2028.

The VCIF/OWDA – Water Treatment #3675 loan is for the study and construction of a water treatment plant for the Village. The Village was approved for \$100,000 in loan proceeds. The Village returned \$15,735 of unused loan proceeds, reducing the original loan to \$84,265. The loan will be repaid in semiannual installments of \$1,874 including interest over 30 years, with final payment July 1, 2032. The loan is to be repaid from the Village's water revenues.

The WPCLF Surplus Fund OWDA #4808 loan was for the engineering services on the waste water treatment plant. The Village was approved for \$1,363,854 in 2007. The Village used this loan to pay off outstanding OWDA loan of \$102,500 in 2007. Funds will be disbursed to pay contractors for the new waste water treatment plant. Payments will be made in 20 annual installments commencing approximately two years following the loan award.

The OPWC – Central Wastewater Collection and Transportation – CT21K was for the installation, repair and transportation of waste water for the Village. The loan will be repaid in semiannual installments of \$1,333, with final payment in July 2039.

The Greenville National Bank – Cardinal Center loan of \$75,000 was for satisfying the remaining balance of \$19,500 on a land contract for the purchase of the old Gettysburg School building and property. The remaining amount of the loan was earmarked for the installation of new furnaces and miscellaneous repairs. It is a 10 year note with a monthly payment of \$737 including interest to be completed in December 2023.

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>Principal</u>	<u>Interest</u>
2014	\$114,748	\$3,574
2015	115,021	3,302
2016	115,296	3,027
2017	115,591	2,731
2018	105,890	2,432
2019-2023	484,273	7,340
2024-2028	390,502	2,185
2029-2033	25,945	510
2034-2038	13,333	
2039-2043	2666	
Total	<u>\$1,483,265</u>	<u>\$25,101</u>

7. RETIREMENT SYSTEMS

The Village's 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 prescribes contribution rates. For 2013 and 2012, 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, 2013.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. ADVANCE

An advance of \$22,000 was made from the General Fund to the Gettysburg School Fund in 2012 for the down payment on the land and building. It has not been repaid.

An advance of \$4,200 was made from the General Fund to the Gettysburg School Fund in 2013 as a loan for obligations. \$3,800 was repaid in February 2014 with remainder to be paid before December 31, 2014.

**VILLAGE OF GETTYSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

10. COMPLIANCE

Contrary to Ohio Revised Code Section:

- 5705.14 - The Village transferred funds from the Permanent Fund to the Special Revenue fund without Council approval to correct fund classification. In addition, Council approved an advance of \$15,000 from the General Fund to the Gettysburg School Fund; however \$22,000 was actually advanced.
- 5705.10(I) – The Village used funds from specific sources to cover General Fund obligations.
- 5705.13(C) - The Village did not establish the Gettysburg School Fund by an ordinance or resolution.
- 5705.10(D) – The Village improperly posted Other Special Revenue fund revenues to the General Fund.
- 5735.28 – The Village did not properly allocate revenues between the Street Construction, Maintenance, and Repair Fund and State Highway 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 Gettysburg
Darke County
216 High Street
Gettysburg, Ohio 45328

To the Village Council and Mayor:

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 Village of Gettysburg, Darke County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Village restated fund balances at January 1, 2012 for the Permanent and Special Revenue Funds.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2013-001 through 2013-006 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-007 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-003 through 2013-009.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 31, 2014

VILLAGE OF GETTYSBURG
DARKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Material Weakness

Bank Reconciliations

The Village's monthly bank reconciliations were not properly performed by the Fiscal Officer in 2013. The December 31, 2013 bank reconciliation incorrectly reported bank balances and therefore was not accurately balanced with the accounting system. The bank balances were understated by \$1,153 for unrecorded interest. The financial statements and accounting records were adjusted to reflect this error. In addition, the reconciliation included various adjustments and adjusting factors without attached supporting documentation.

The monthly bank reconciliation is a basic control to verify accuracy and completeness of the Village's recording of current receipts and expenditures. Failure to maintain accurate monthly bank reconciliations increases the possibility the Village would not promptly detect errors or funds being altered, lost, or stolen.

The following controls should be implemented to improve the reconciliation process:

- Monthly bank reconciliations should be promptly performed
- All cash reconciliation supporting documentation should be maintained
- Reconciliations should agree to the reported fund cash balances

Additionally, Council should review monthly bank reconciliations to determine proper procedures are followed and accounts are reconciled. Finally, the review should be documented by signatures/initials and approval of the bank reconciliations by Council at monthly meetings.

FINDING NUMBER 2013-002

Material Weakness

GASB 54 Presentation

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, introduced five fund balance classifications and clarified the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned. In addition, GASB 54 paragraph 16 states that when an appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned.

The Village's financial statements presented the GASB 54 classifications incorrectly in both fiscal years as follows:

**FINDING NUMBER 2013-002
(Continued)**

2013:

- Parks and Recreation Fund balance of \$14,412 reported as committed rather than restricted
- Gettysburg Youth Fund balance of \$5,006 reported as assigned rather than restricted
- Gettysburg School Fund balance of \$55,574 reported as restricted rather than committed

2012:

- Parks and Recreation Fund balance of \$7,601 reported as assigned rather than restricted
- Gettysburg Youth Fund balance of \$4,006 reported as assigned rather than restricted
- Gettysburg School Fund balance of \$535 reported as restricted rather than committed

In addition, for 2012, the Village did not appropriately recognize the assigned balance in the General fund for the excess of subsequent appropriations over estimated receipts in the amount of \$17,076. These errors were adjusted on the financial statements.

The Village should review the requirements of GASB 54 and implement procedures to properly classify fund balances as applicable to improve financial reporting.

FINDING NUMBER 2013-003

Non-Compliance and Material Weakness

Approval of Transfers and Advances

Ohio Rev. Code §5705.14 states, in part, no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as outlined in the section. Section (I) states, in part, except in the case of transfer pursuant to division (E) of this section, transfers authorized by this section shall only be made by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members.

Additionally, Auditor of State Bulletin 1997-003 documents the accounting treatment for advances. Inter-fund cash advances are subject to the following requirements:

- A. Advances must be clearly labeled as such and must be distinguished from a transfer
- B. There must be statutory authority to use the money in the creditor fund for the same purpose for which the debtor fund was established
- C. Reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement
- D. Advances must be approved by a formal resolution of the taxing authority and must include:
 - a. Specific statement the transaction is an advance of cash
 - b. An indication of the money (fund) from which it is expected that repayment will be made

In 2012, the Fiscal Officer transferred \$3,004 from the Permanent fund to the Special Revenue Gettysburg Youth Fund without Council approval. The transfer was initiated to reclassify the fund from Permanent to Special Revenue; however the transaction was not properly posted. An adjustment, in the amount of \$3,004, was posted to the financial statements for beginning fund balance to properly reclassify the fund from Permanent to Special Revenue.

Additionally, in 2012, the Fiscal Officer posted a \$22,000 advance from the General Fund to the Gettysburg School Fund to help cover the costs associated with purchasing the Gettysburg School. Council approved a \$15,000 advance through formal resolution; however the additional \$7,000 was not formally approved. The additional advance was needed to cover the purchase costs. The advance has not been repaid and repayment is unlikely.

**FINDING NUMBER 2013-003
(Continued)**

By not properly approving all interfund activity such as advances and transfers between funds in their entirety, unallowable transfers or advances could occur. In addition, advances are expected to be repaid rather than permanently transferring money from one fund to another. Proper resolutions provide a record of advances and expected repayments. Advances not expected to be repaid should be converted to transfers using the required process documented in Ohio Revised Code Sections 5705.14 through 5705.16.

The Village should implement procedures to properly approve all interfund activity such as transfers and advances to improve financial reporting and accountability. Additionally, Council should follow the conversion to transfers guidance when outstanding advances are not expected to be repaid.

FINDING NUMBER 2013-004

Noncompliance and Material Weakness

Negative Fund Balance

Ohio Rev. Code § 5705.10(I), states money paid into any fund shall be used only for the purposes for which such fund is established. A negative fund cash balances indicates money from one fund was used to cover the expenses of another fund. In 2013, the Village reported a negative General Fund balance in the amount of \$12,297; however, after year-end and audit adjustments, the balance was negative \$6,634 at year end.

The Village improperly used funds from specific sources to cover General Fund obligations, which also resulted in negative impacts on budgetary compliance requirements.

The Village should implement procedures to perform a detailed review of the accounting records to help identify the need for a decrease in expenditures when shortfalls are expected. This will help alleviate negative fund balances and provide for proper use of funds.

FINDING NUMBER 2013-005

Noncompliance and Material Weakness

Establishment of Funds

Ohio Rev. Code § 5705.13(C) states a taxing authority of a subdivision, by resolution or ordinance, may establish a capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of fixed assets of the subdivision. For the purposes of this section, "fixed assets" includes motor vehicles. More than one capital projects fund may be established and may exist at any time. The ordinance or resolution shall identify the source of the money to be used to acquire, construct, or improve the fixed assets identified in the resolution or ordinance, the amount of money to be accumulated for that purpose, the period of time over which that amount is to be accumulated, and the fixed assets that the taxing authority intends to acquire, construct, or improve with the money to be accumulated in the fund. A taxing authority of a subdivision shall not accumulate money in a capital projects fund for more than ten years after the resolution or ordinance establishing the fund is adopted. If the subdivision has not entered into a contract for the acquisition, construction, or improvement of fixed assets for which money was accumulated in such a fund before the end of that ten-year period, the fiscal officer of the subdivision shall transfer all money in the fund to the fund or funds from which that money originally was transferred or the fund that originally was intended to receive the money.

**FINDING NUMBER 2013-005
(Continued)**

The Village did not establish the Capital Projects Gettysburg School Fund by an ordinance/resolution that specified all the requirements above. In addition, Council did not approve the Gettysburg Youth Fund in 2012 or Federal Grant Fund in 2013.

The Village should pass an ordinance to establish the Gettysburg School Fund in accordance with the Revised Code Section as outlined above to provide guidance for the proper accumulation and use of the fund. Council should also implement procedures to approve all new funds prior to creation in the accounting system to prevent unauthorized transactions or improper accounting.

FINDING NUMBER 2013-006

Noncompliance and Material Weakness

Accuracy and Completeness of Financial Activity

Ohio Rev. Code §5705.10(D) states that all revenue derived from a source other than the general property tax, and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose.

In addition, **Ohio Rev. Code §5735.28** states wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes. The activity should be posted to the State Highway Fund.

The Village incorrectly applied the above guidance when posting receipts during 2013 and 2012. The following errors occurred and were adjusted on the financial statements and client ledgers, where applicable):

- Special Revenue Street Construction, Maintenance, and Repair fund 92.5% intergovernmental receipts were posted to the State Highway fund intergovernmental receipts(\$596 in 2013 and \$2,154 in 2012)
- Other Special Revenue fund homestead/rollback intergovernmental receipts were posted as General fund property and other taxes (\$1,390 in 2013)

Additionally, the Village misclassified the following transactions, which have been adjusted on the financial statements:

- General fund homestead/rollback was classified as property and local taxes rather than intergovernmental revenues (\$1,185 in 2013)
- Permissive Motor Vehicle License Tax fund auto taxes were classified as intergovernmental rather than property and local taxes (\$2,808 in 2013 and \$2,835 in 2012)
- Gettysburg Youth fund charges for services (rental receipts) were posted as General fund miscellaneous (\$500 in 2013)
- Gettysburg Youth fund miscellaneous donations were classified as permanent fund charges for services (\$1,000 in 2013) and special revenue special item (\$1,000 in 2012)
- Permanent Gettysburg Youth fund was re-classified and adjusted to the Special Revenue Gettysburg Youth fund.

**FINDING NUMBER 2013-006
 (Continued)**

In addition, the Village entered into a loan from Greenville National Bank in December 2013; however the proceeds and expenditures by the bank were not included on the statements. Audit adjustments were made to add \$75,000 in other debt proceeds and \$21,567 in capital outlay expenditures to the Capital Projects Gettysburg School fund.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Village's ability to make sound financial decisions or comply with budgetary law, and/or result in materially misstated reports. The Village should have procedures in place to provide for accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

FINDING NUMBER 2013-007

Non-Compliance and Significant Deficiency

Appropriation Amendments and Budgetary Accounting System

Ohio Rev. Code §5705.40 states any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

In 2012 and 2013, the Fiscal Officer posted changes to appropriations in the accounting system without Council approval. In some instances appropriation changes were approved, but the amounts posted were not the same. The budgetary accounting system reflected higher appropriations than approved by Council as follows:

<u>Fund Type</u>	<u>Approved Appropriations</u>	<u>Appropriation Status Report</u>	<u>Variance</u>
General – 2012	\$119,071	\$126,071	(\$7,000)
Special Revenue – 2012	59,148	65,714	(6,566)
Capital Projects – 2012	20,000	21,900	(1,900)
Special Revenue – 2013	69,843	116,642	(46,799)
Proprietary - 2013	286,510	316,510	(30,000)

In addition, the budgetary accounting system did not properly reflect estimated revenues from the last certificate of estimated resources filed and approved prior to year end. Inaccurate information posted to the UAN accounting system and printed on reports given to Council could lead to inaccurate financial decisions made by Village Council and management or a negative cash position for the Village.

The Village's budgetary information should be updated in the UAN accounting system after formal approval by Council and prior to year end to promote accurate financial reporting and decision making.

FINDING NUMBER 2013-008

Non-Compliance

Expenditures Exceeding Appropriations

Ohio Rev. Code §5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

At December 31, 2012, the Village's Gettysburg School fund's expenditures exceeded appropriations by \$1,866. At December 31, 2013, the Special Revenue fund type had expenditures in excess of appropriation by \$9,324.

The Village should routinely monitor its expenditures and available appropriations and make necessary spending or budgetary changes to prevent exceeding available fund resources.

FINDING NUMBER 2013-009

Noncompliance

Purchase Order – Prior Certification

Ohio Rev. Code § 5705.41(D)(1) states no subdivision shall make any contract or given 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 is 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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

**FINDING NUMBER 2013-009
(Continued)**

- 3. Super blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current years. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village lacked proper certification for \$6,687 out of \$48,913, or 14% of the expenditures examined in 2012 and 2013. This was 5 out of the 27 expenditures tested, or 19%.

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. The Village Fiscal Officer should certify that the funds are or will be available prior to the obligation of the Village to improve controls over disbursements and to reduce the possibility of the Village's funds exceeding budgetary spending limitations. When prior certification is not possible, "then and now" certification may, if appropriate, be used.

The Village should certify purchases to which section 5705.41(D) applies. The Fiscal Officer should sign the certification prior to the Village incurring a commitment, and only when the requirements of 5705.41(D) are satisfied.

Officials' Response:

Every attempt will be made to bring accounting and recordkeeping practices into compliance with audit findings.

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF GETTYSBURG

DARKE 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 20, 2014**