



Dave Yost • Auditor of State

VILLAGE OF MCGUFFEY
HARDIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of McGuffey, Hardin County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of McGuffey, Hardin County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2015, 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

April 3, 2015

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$7,371		\$7,371
Municipal Income Tax	49,600		49,600
Intergovernmental	34,476	\$26,224	60,700
Special Assessments		9,251	9,251
Fines, Licenses and Permits	2,437		2,437
Earnings on Investments	1,081	331	1,412
Miscellaneous	16,197		16,197
Total Cash Receipts	<u>111,162</u>	<u>35,806</u>	<u>146,968</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	46,215	11,017	57,232
Public Health Services	1,288		1,288
Leisure Time Activities	444		444
Basic Utility Services	1,448	8,311	9,759
Transportation	4,214	6,718	10,932
General Government	34,846		34,846
Capital Outlay	450		450
Total Cash Disbursements	<u>88,905</u>	<u>26,046</u>	<u>114,951</u>
Excess of Receipts Over Disbursements	<u>22,257</u>	<u>9,760</u>	<u>32,017</u>
Other Financing Receipts (Disbursements):			
Transfers In	180	1,085	1,265
Transfers Out		(1,896)	(1,896)
Total Other Financing Receipts (Disbursements)	<u>180</u>	<u>(811)</u>	<u>(631)</u>
Net Change in Fund Cash Balances	22,437	8,949	31,386
Fund Cash Balances, January 1	<u>140,036</u>	<u>168,189</u>	<u>308,225</u>
Fund Cash Balances, December 31:			
Restricted		177,138	177,138
Assigned	9,463		9,463
Unassigned (Deficit)	153,010		153,010
Fund Cash Balances, December 31	<u>\$162,473</u>	<u>\$177,138</u>	<u>\$339,611</u>

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

VILLAGE OF MCGUFFEY
HARDIN COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Operating Cash Receipts:	
Charges for Services	\$238,016
Miscellaneous	<u>8</u>
Total Operating Cash Receipts	<u>238,024</u>
Operating Cash Disbursements:	
Personal Services	42,554
Employee Fringe Benefits	11,948
Contractual Services	80,024
Supplies and Materials	<u>37,385</u>
Total Operating Cash Disbursements	<u>171,911</u>
Operating Income	<u>66,113</u>
Non-Operating Receipts (Disbursements):	
Miscellaneous Receipts	4,145
Principal Retirement	(62,006)
Interest and Other Fiscal Charges	<u>(4,560)</u>
Total Non-Operating Receipts (Disbursements)	<u>(62,421)</u>
Income before Transfers	3,692
Transfers In	<u>631</u>
Net Change in Fund Cash Balances	4,323
Fund Cash Balances, January 1	<u>383,905</u>
Fund Cash Balances, December 31	<u><u>\$388,228</u></u>

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

**VILLAGE OF MCGUFFEY
HARDIN 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>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$6,066		\$6,066
Municipal Income Tax	48,875		48,875
Intergovernmental	10,201	\$35,683	45,884
Special Assessments		8,547	8,547
Fines, Licenses and Permits	2,670		2,670
Earnings on Investments	1,050	330	1,380
Miscellaneous	20,098	249	20,347
Total Cash Receipts	<u>88,960</u>	<u>44,809</u>	<u>133,769</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	47,189	9,048	56,237
Public Health Services	1,262		1,262
Leisure Time Activities	531		531
Community Environment		7,245	7,245
Basic Utility Services	2,025	5,705	7,730
Transportation	2,240	8,794	11,034
General Government	27,548		27,548
Capital Outlay	2,343	3,043	5,386
Total Cash Disbursements	<u>83,138</u>	<u>33,835</u>	<u>116,973</u>
Excess of Receipts Over Disbursements	<u>5,822</u>	<u>10,974</u>	<u>16,796</u>
Other Financing Receipts (Disbursements):			
Transfers In	1,078	1,078	2,156
Transfers Out		<u>(5,940)</u>	<u>(5,940)</u>
Total Other Financing Receipts (Disbursements)	<u>1,078</u>	<u>(4,862)</u>	<u>(3,784)</u>
Net Change in Fund Cash Balances	6,900	6,112	13,012
Fund Cash Balances, January 1	<u>133,136</u>	<u>162,077</u>	<u>295,213</u>
Fund Cash Balances, December 31:			
Restricted		168,189	168,189
Assigned	37,314		37,314
Unassigned (Deficit)	102,722		102,722
Fund Cash Balances, December 31	<u>\$140,036</u>	<u>\$168,189</u>	<u>\$308,225</u>

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

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

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

Operating Cash Receipts:	
Charges for Services	\$235,742
Fines, Licenses and Permits	3,000
Miscellaneous	249
Total Operating Cash Receipts	<u>238,991</u>
Operating Cash Disbursements:	
Personal Services	39,705
Employee Fringe Benefits	10,302
Contractual Services	72,651
Supplies and Materials	18,795
Other	1,672
Total Operating Cash Disbursements	<u>143,125</u>
Operating Income	<u>95,866</u>
Non-Operating (Disbursements):	
Capital Outlay	(4,845)
Principal Retirement	(61,416)
Interest and Other Fiscal Charges	(5,261)
Total Non-Operating (Disbursements)	<u>(71,522)</u>
Income before Transfers	24,344
Transfers In	<u>3,784</u>
Net Change in Fund Cash Balances	28,128
Fund Cash Balances, January 1	<u>355,777</u>
Fund Cash Balances, December 31	<u><u>\$383,905</u></u>

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

**VILLAGE OF MCGUFFEY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 McGuffey, Hardin County, (the Village) as a body corporate and politic. 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.

The Village participates in two jointly governed organizations and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP) – provided property and casualty coverage for its members.

Jointly Governed Organizations:

Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

Upper Scioto Valley Ambulance District – This District provides emergency medical services to members of the District.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The 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.

C. Deposits and Investments

The Village does not have any investments. All money is maintained in an interest-bearing checking account.

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:

**VILLAGE OF MCGUFFEY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Light Assessment Fund – This fund receives assessments to provide street lighting.

FEMA – This fund receives money from the Federal Emergency Management Agency for disaster assistance and recovery.

3. Enterprise Funds

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

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

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

Sewer Loan Payment Funds #3 and #4 – These funds receive charges for services from residents to make debt payments on sewer projects.

E. Budgetary Process

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

1. Appropriations

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

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 reappropriated in the subsequent year.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

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, including subsequent year appropriations in excess of estimated receipts.

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.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. 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:

	2014	2013
Demand deposits	\$727,839	\$692,130

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

3. BUDGETARY ACTIVITY

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,287	\$111,342	\$28,055
Special Revenue	70,970	36,891	(34,079)
Capital Projects	136,125		(136,125)
Enterprise	272,920	242,800	(30,120)
Total	\$563,302	\$391,033	(\$172,269)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,601	\$88,905	\$31,696
Special Revenue	93,329	27,942	65,387
Capital Projects	136,125		136,125
Enterprise	311,270	238,477	72,793
Total	\$661,325	\$355,324	\$306,001

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,040	\$90,038	\$4,998
Special Revenue	49,602	45,887	(3,715)
Enterprise	222,045	242,775	20,730
Total	\$356,687	\$378,700	\$22,013

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,651	\$83,138	\$19,513
Special Revenue	88,064	39,775	48,289
Enterprise	283,809	214,647	69,162
Total	\$474,524	\$337,560	\$136,964

**VILLAGE OF MCGUFFEY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. PROPERTY TAX

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

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

5. LOCAL INCOME TAX

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.

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission #CP42C	\$175,000	0%
Ohio Public Works Commission #CP06L	\$70,948	0%
Ohio Water Development Authority #4267	5,000	2.2%
Ohio Water Development Authority #3281	176,806	2.2%
Total	\$427,754	

During May 2000, the Village entered into loan agreement CP42C with the Ohio Public Works Commission for a sewer expansion project mandated by the Ohio Environmental Protection Agency. 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.

The Ohio Water Development Authority 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 2021. This debt is being repaid from the Sewer OWDA Loan No. 3 Fund.

The Ohio Water Development Authority Loan 4267 in the amount of \$50,000 was approved in December 2004 for the water design project. The proceeds of this loan were received in 2007. The loan is to be re-paid in annual payments with a maturity in 2016. This debt is being repaid from the Water OPWC/OWDA 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 2030. This debt is being repaid from the Water OPWC/OWDA Fund.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	OPWC CP42C	OPWC CP06L	OWDA 3281	OWDA 4267
2015	\$12,500	\$2,365	\$15,808	
2016	25,000	4,730	31,617	\$5,110
2017	25,000	4,730	31,617	
2018	25,000	4,730	31,617	
2019	25,000	4,730	31,617	
2020-2024	62,500	23,649	47,425	
2025-2029		23,649		
2030-2035		2,365		
Total	\$175,000	\$70,948	\$189,701	\$5,110

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 also prescribes contribution rates. For 2014 and 2013, 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, 2014.

All Council members and one Board of Public Affairs member contribute to Social Security instead of participating in OPERS. The Village's liability for Social Security is 6.2 percent of wages paid.

8. RISK MANAGEMENT

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. 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, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. RISK MANAGEMENT (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.

B. Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2012 (the latest information available):

	2013	2012
Assets	\$34,411,883	\$34,389,569
Liabilities	(12,760,194)	(14,208,353)
Net Position	\$21,651,689	\$20,181,216

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$6,000.

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

Contributions to PEP		
2012	2013	2014
\$7,951	\$8,891	\$9,134

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

9. JOINTLY GOVERNED ORGANIZATIONS

A. Hardin County Regional Planning Commission

Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Villages within Hardin 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 Village is represented by one member.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

B. 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.

10. Transfers

The following transfers were required to reimburse funds that had incurred disbursements for storm damage which was subsequently reimbursed with a Federal Emergency Management Act (FEMA) grant.

<u>Year</u>	<u>Fund</u>	<u>Amount</u>	<u>Year</u>	<u>Fund</u>	<u>Amount</u>
2014	General	\$180	2013	General	\$1,078
	Street	1,085		Street	1,078
	FEMA	(1,896)		FEMA	(5,940)
	Water	451		Water	2,706
	Sewer	180		Sewer	1,078



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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of McGuffey, Hardin County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated April 3, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 3, 2015

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness – Accuracy of Financial Reporting

The Village should have procedures and controls in place to prevent and detect errors in the financial statements and accounting records to help assure that the information provided to the users is complete and accurate. The following errors were identified in the accounting records and/or financial statements:

- The Village did not implement fund classifications as defined by GASB 54. As a result the following reclassifications were made: At December 31, 2014, the General Fund balance was reclassified to \$9,463 as assigned and \$153,010 as unassigned. The Special Revenue Fund balance was reclassified to \$177,138 as restricted. At December 31, 2013, the General Fund balance was reclassified to \$37,314 as assigned and \$102,722 as unassigned. The Special Revenue Fund balance was reclassified to \$168,189 as restricted.
- In 2014, the Village received a reimbursement, in the amount of \$1,896, from the Federal Emergency Management Agency (FEMA) for storm damage that occurred in a prior year. This reimbursement was recorded in the Special Revenue FEMA Fund however the funds that originally incurred the disbursements were not reimbursed. As a result the following transfers were made from the FEMA Fund: \$180 to the General Fund, \$1,085 to the Special Revenue Street Fund, \$451 was to the Enterprise Water Fund, and \$180 to the Enterprise Sewer Fund.
- In 2013, a worker's compensation refund in the amount of \$865 was recorded in the General Fund as intergovernmental receipts instead of miscellaneous receipts.
- In 2013, rental receipts in the amount of \$16,100 were recorded in the General Fund as charges for services receipts instead of miscellaneous receipts.
- In 2013, the Village received a reimbursement, in the amount of \$5,940, from FEMA for storm damage that occurred in a prior year. This reimbursement was recorded in the Special Revenue FEMA Fund however the funds the originally incurred the disbursements were not reimbursed. As a result the following transfers were made from the FEMA Fund: \$1,078 to the General Fund, \$1,078 to the Special Revenue Street Fund, \$2,706 to the Enterprise Water Fund, and \$1,078 to the Enterprise Sewer Fund. Also, the Special Revenue FEMA Fund should have only been charged 25% of an additional disbursement which resulted in \$1,811 being adjusted from the Special Revenue FEMA Fund and to the Special Revenue Street Fund.
- In 2013, motor vehicle license fee receipts in the amount of \$3,536 recorded in the Special Revenue Street Fund and \$287 recorded in the Special Revenue Highway Fund were recorded as fines, licenses and receipts instead of intergovernmental receipts.
- In 2013, permissive tax receipts in the amount of \$2,295 recorded in the Municipal License Fees Fund were recorded as fines, licenses and receipts instead of intergovernmental receipts.

The accompanying financial statements, and where necessary the accounting records, have been adjusted to correct these recording errors.

**FINDING NUMBER 2014-001
(Continued)**

Errors in the financial statements and supporting ledgers inhibit the ability of both the Village Fiscal Officer and the Members of Council to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Village. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner.

The errors identified above should be reviewed by the Fiscal Officer to help assure that similar errors are not recorded in the accounting records and reported on the financial statements in subsequent years. The Members of Council should periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements. In addition, the Village Fiscal Officer should review the Village Officer's Handbook and Auditor of State Bulletins which can be found on the Auditor of State Website at <https://ohioauditor.gov/>, for guidance in recording of financial activity.

OFFICIALS' RESPONSE: We did not receive a response from Officials this finding.



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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
MAY 7, 2015**