



Dave Yost • Auditor of State

VILLAGE OF AMESVILLE
ATHENS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Amesville
Athens County
P.O. Box 190
Amesville, Ohio 45711

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Amesville, Athens County, Ohio (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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy 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.

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 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 Amesville, Athens 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 § 117.38 and Ohio Administrative Code § 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 December 16, 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

December 16, 2015

**VILLAGE OF AMESVILLE
ATHENS COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$21,714	\$10,230	\$31,944
Intergovernmental	12,581	10,306	22,887
Fines, Licenses and Permits	1,080	0	1,080
Earnings on Investments	469	71	540
Miscellaneous	23,327	1,010	24,337
<i>Total Cash Receipts</i>	<u>59,171</u>	<u>21,617</u>	<u>80,788</u>
Cash Disbursements			
Current:			
Security of Persons and Property	6,085	12,308	18,393
Public Health Services	143	0	143
Leisure Time Activities	0	8,036	8,036
Transportation	0	18,248	18,248
General Government	21,452	325	21,777
<i>Total Cash Disbursements</i>	<u>27,680</u>	<u>38,917</u>	<u>66,597</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>31,491</u>	<u>(17,300)</u>	<u>14,191</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	5,000	5,000
Transfers Out	(5,000)	0	(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>	<u>5,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	26,491	(12,300)	14,191
<i>Fund Cash Balances, January 1</i>	<u>21,562</u>	<u>38,703</u>	<u>60,265</u>
Fund Cash Balances, December 31			
Restricted	0	26,403	26,403
Assigned	6,498	0	6,498
Unassigned (Deficit)	41,555	0	41,555
<i>Fund Cash Balances, December 31</i>	<u>\$48,053</u>	<u>\$26,403</u>	<u>\$74,456</u>

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

**VILLAGE OF AMESVILLE
ATHENS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$77,058</u>
<i>Total Operating Cash Receipts</i>	<u>77,058</u>
Operating Cash Disbursements	
Personal Services	15,427
Employee Fringe Benefits	2,702
Contractual Services	19,821
Supplies and Materials	12,402
Other	<u>530</u>
<i>Total Operating Cash Disbursements</i>	<u>50,882</u>
<i>Operating Income</i>	<u>26,176</u>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(22,392)
Other Financing Sources	<u>2,025</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(20,367)</u>
<i>Net Change in Fund Cash Balances</i>	5,809
<i>Fund Cash Balances, January 1</i>	<u>108,515</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$114,324</u></u>

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

**VILLAGE OF AMESVILLE
ATHENS COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$24,255	\$12,939	\$37,194
Intergovernmental	6,408	10,805	17,213
Fines, Licenses and Permits	1,795	0	1,795
Earnings on Investments	41	9	50
Miscellaneous	3,712	2,500	6,212
<i>Total Cash Receipts</i>	<u>36,211</u>	<u>26,253</u>	<u>62,464</u>
Cash Disbursements			
Current:			
Security of Persons and Property	5,144	14,772	19,916
Public Health Services	45	0	45
Leisure Time Activities	0	17,027	17,027
Transportation	0	5,876	5,876
General Government	23,789	0	23,789
<i>Total Cash Disbursements</i>	<u>28,978</u>	<u>37,675</u>	<u>66,653</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,233</u>	<u>(11,422)</u>	<u>(4,189)</u>
Other Financing Receipts			
Transfers In	0	14,000	14,000
Transfers Out	(14,000)	0	(14,000)
<i>Total Other Financing Receipts</i>	<u>(14,000)</u>	<u>14,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(6,767)	2,578	(4,189)
<i>Fund Cash Balances, January 1</i>	<u>28,329</u>	<u>36,125</u>	<u>64,454</u>
Fund Cash Balances, December 31			
Restricted	0	38,703	38,703
Unassigned (Deficit)	21,562	0	21,562
<i>Fund Cash Balances, December 31</i>	<u>\$21,562</u>	<u>\$38,703</u>	<u>\$60,265</u>

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

VILLAGE OF AMESVILLE
ATHENS COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013

	Proprietary Fund Type
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$81,408
<i>Total Operating Cash Receipts</i>	<u>81,408</u>
Operating Cash Disbursements	
Personal Services	16,474
Employee Fringe Benefits	2,815
Contractual Services	12,069
Supplies and Materials	6,420
Other	590
<i>Total Operating Cash Disbursements</i>	<u>38,368</u>
<i>Operating Income</i>	<u>43,040</u>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(26,455)
Other Financing Sources	1,610
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(24,845)</u>
<i>Net Change in Fund Cash Balances</i>	18,195
<i>Fund Cash Balances, January 1</i>	<u>90,320</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$108,515</u></u>

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

**VILLAGE OF AMESVILLE
ATHENS 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 Amesville, Athens County, Ohio (the Village), as a body corporate and politic. A six-member Council directs the Village. The Village's services include general government services, street maintenance, water and sewer utility services, park operations and police services.

The Village participates in the Public Entities Pool of Ohio, a risk-sharing pool available to Ohio local governments that provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

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 § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

The Village had one primary, interest bearing checking account and two non-interest bearing checking accounts during the audit period.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF AMESVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Police Levy Fund – This fund receives money from a tax levy approved by voters to provide police protection services for the Village.

Parks and Recreation Fund – This fund receives money from a tax levy approved by voters and general fund transfers for maintaining, and repairing the Village park.

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 Operating 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.

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. The County Budget Commission must also approve the annual appropriation measure. 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 also 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 carried over, and need not be reappropriated.

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

**VILLAGE OF AMESVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

Fund balance is divided into three 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. 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.

2. 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.

3. 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. Equity in Pooled Deposits

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

	2014	2013
Demand deposits	\$126,780	\$105,780
Certificates of deposit	62,000	63,000
Total deposits	\$188,780	\$168,780

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

**VILLAGE OF AMESVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,783	\$59,171	\$3,388
Special Revenue	37,117	26,617	(10,500)
Enterprise	83,000	79,083	(3,917)
Total	\$175,900	\$164,871	(\$11,029)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,425	\$39,178	\$9,247
Special Revenue	66,495	57,151	9,344
Enterprise	98,421	98,471	(50)
Total	\$213,341	\$194,800	\$18,541

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,676	\$36,211	\$9,535
Special Revenue	39,608	40,253	645
Enterprise	80,301	83,018	2,717
Total	\$146,585	\$159,482	\$12,897

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,053	\$42,977	\$6,076
Special Revenue	70,914	37,675	33,239
Enterprise	82,412	64,822	17,590
Total	\$202,379	\$145,474	\$56,905

Contrary to Ohio Rev. Code § 5705.39, appropriations exceeded estimated resources in the Parks and Recreation Fund by \$3,000, in the Fire Levy Fund by \$2,695 and in the Police Levy Fund by \$3,900 for the year ended December 31, 2013. Appropriations also exceeded the estimated resources in the Fire Levy Fund by \$1,364 and in the Police Levy Fund by \$13,542 for the year ended December 31, 2014. Also, contrary to Ohio Rev. Code § 5705.41(D)(3), super blanket purchase orders at December 31, 2014 were not cancelled.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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

**VILLAGE OF AMESVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Property Tax (Continued)

semi-annually, 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.

5. Retirement System

The Village's elected officials and 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%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

6. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority (OWDA)	\$287,956	0%
Ohio Public Works Commission (OPWC)	63,000	0%
Total	\$350,956	

The OWDA loan relates to the decentralized wastewater system. The loan is zero interest loan approved for an amount of \$439,103 with \$345,236 drawn through December 31, 2008. The loan is collateralized by wastewater receipts.

The OPWC Loan relates to the decentralized wastewater system. The loan is a zero interest loan with semiannual payments of \$2,250. The loan is collateralized by wastewater receipts.

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

	OWDA Loan	OPWC Loan
Year ending December 31:		
2015	\$10,665	\$4,500
2016	21,330	4,500
2017	21,330	4,500
2018	21,330	4,500
2019	21,330	4,500
2020-2024	106,650	22,500
2025-2028	85,321	18,000
Total	\$287,956	\$63,000

**VILLAGE OF AMESVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. 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.

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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

VILLAGE OF AMESVILLE
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

7. Risk Management (Continued)

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$4,292	\$3,774

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.

8. Related Party Transactions

During 2013 and 2014, the Village officials contracted with Klaerfield Gardens for landscaping services and materials. Klaerfield Gardens is owned by the spouse of Council Member, Barb Klaer. The Village paid Klaerfield Gardens \$6,815 in 2013 and \$9,175 in 2014. Council Member Klaer abstained from all voting relating to the award of this contract.

9. Subsequent Event

The Ohio Public Works Commission awarded the Village a grant for \$195,000 and a loan for \$195,000 in May 2015. The proceeds will be used to replace an existing water treatment plant and storage tank.

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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 Amesville
Athens County
P.O. Box 190
Amesville, Ohio 45711

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Amesville, Athens County, Ohio (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 December 16, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, that we consider material weaknesses. We consider Findings 2014-003 and 2014-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 through 2014-004.

Entity's Response to Findings

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

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

December 16, 2015

**VILLAGE OF AMESVILLE
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

Noncompliance Citation

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

Formally adopted appropriations exceeded estimated resources (estimated receipts plus available fund balances) at December 31, 2014 for the following funds:

Fund	Estimated Resources	Formal Appropriation	Variance
Parks Grant Fund	\$0	\$3,000	\$ (3,000.00)
Fire Levy	5,230	7,925	(2,695)
Police Levy	7,252	11,152	(3,900)

Formally adopted appropriations exceeded estimated resources (estimated receipts plus available fund balances) at December 31, 2013 for the following funds:

Fund	Estimated Resources	Formal Appropriation	Variance
Fire Levy	\$5,936	\$7,300	\$ (1,364.00)
Police Levy	4,092	17,634	(13,542)

Failure to certify estimated resources or to ensure formal appropriations are within those resources can result in overspending and negative fund balances.

The Village officials should monitor appropriations to ensure they are within the estimated resources as filed with the budget commission.

Official's Response: The finding appears to be accurate as to the Fire Levy Fund and will be corrected.

As to other matters, the fiscal officer contacted the Athens County Auditor to clarify the process to get an amended certificate from the Budget Commission. The County Auditor stated that when Village Council adopts a resolution to amend the certificate and/or to increase appropriations and a copy is mailed to the County Auditor's office, it will not trigger an amended certificate from the Athens County Budget Commission unless it is expressly requested in a cover letter accompanying the resolution.

- (a) As to the Park Grant, on September 11, 2013, Village Council approved increasing revenues and appropriations in the Park fund by \$5,000 to address the receipt of a grant and donations which were not anticipated at the beginning of the year. See Res. 15-13.
- (b) On October 9, 2013, Village Council approved the creation of a new fund called Grant Fund – park. See Res. 16-13.
- (c) Also, on October 9, 2013, Village Council approved a resolution to amend Resolution 15-13 to amend the certificate to: a) increase revenues and appropriations in the Park Fund by \$2,500.00; b) to increase revenues in the Grant Fund - Park to address the receipt of a grant and donations which were not anticipated at the beginning of the year. See Res. 17-13

**VILLAGE OF AMESVILLE
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

Noncompliance Citation - Ohio Revised Code § 5705.39 (Continued)

- (d) On December 11, 2013 Village Council approved a resolution amending the certificate to authorize transferring up to \$3,500 from the 1000 General Fund to the 2041 Park Fund and increasing the revenues and appropriations in the 2041 Park Fund by the same amount (\$3,500.00 for other expenses) in order to account for the expenses of the Park Fund. See Res. 20-13.
- (e) On July 10, 2013, Village Council approved a resolution amending the certificate by: transferring \$4,000.00 from the 1000 General Fund to the 2902 Police Fund and increasing the revenues and appropriations in the 2902 Police Fund by the same amount (\$4,000.00 for personal services) in order to account for the expenses of the Police Dept. See Res. 9-13
- (f) As to the Park and Police Funds, for 2013 Village Council appropriated \$10,500 from the General Fund as "Transfers - Out." In 2014, Village Council appropriated \$14,000 from the General Fund as "Transfers - Out." These transfers were included in the amount appropriated in both the Park and Police Funds.
- (g) Council was aware when these appropriations were made that every year there is not enough revenue generated by the Park levy or the Police levy to pay all the Park or Police expenses. The transfers appropriated by Council were designed to pay expenses incurred in the Park and Police Funds which exceeded revenues from the levies. This is so even though the appropriations resolution did not separately appropriate the transferred money inside the Park or Police funds. In other words, the amounts from funds appropriated by Council as "transfers out" were not included in the revenues for either the Park or Police funds for either 2013 or 2014.
- (h) The substantially similar process was followed in 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012. In each of these years the transfers from the General Fund were included in the appropriations approved by Council for the Park and Police Funds. The audits for 2003-2004, 2005-2006, 2007-2008, 2009-2010 and 2011-2012 made no reference whatsoever to the appropriation or expenditure of funds transferred from the General Fund to the Park or Police Funds. Thus, no issue has been taken in to the process followed in 2013 and 2014 in any of the audits for the period 2003 through 2012.
- (i) At the exit conference, your staff indicated that as to the future, the Village should consider appropriating "advances" from the General Fund to the Park Fund and the Police Fund at the beginning of the year and then at the end of the year pay whatever is left in the 2 funds back to the General Fund. We appreciate the suggestion because it is expected that the shortfalls will occur every year hereafter.
- (j) As to the Parks Grant Fund matter for 2014, the Village expected to receive a grant during 2014 but did not know the amount. \$3,000.00 was included in the Appropriations and Revenues approved by Council. The Village did not know the amount it would receive until it received a check from the Athens Foundation for \$2,500.00. Council then adopted Res. 15-13 which is detailed above.
- (k) We believe that the staff of the Auditor's office missed some important information in preparing the findings. All of the resolutions for both 2013 and 2014 were provided to the staff, including those which amended the certificate and/or increased appropriations. All of the minutes of all meetings of Village Council were provided.

After the first audit conference, the Audit staff issued a revised spreadsheet with items from the resolutions initially missed. However, the conclusion was not changed. Again, as to Fire Levy matters for both years, we will correct whatever needs to be corrected for the future.

**VILLAGE OF AMESVILLE
ATHENS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

Noncompliance Citation - Ohio Revised Code § 5705.39 (Continued)

Auditor's Reaction: We considered the Officials' response above and, as to items (a) through (d), we are unsure as to why there is discussion regarding the Park Fund and Park Grants Fund as there was no mention of these funds in the citation for the year ended December 31, 2013.

As to items (e) through (g), we reviewed these resolutions in detail with the Fiscal Officer and provided him with the working papers evidencing we included these approved amendments in our test to determine compliance. As a result of this review, some amounts changed slightly but noncompliance still resulted as identified in the tables included in the citation.

As to item (j), if the Village officials anticipated receiving certain revenue and did not, they should have requested for a decrease in appropriations by Village Council and County Auditor. Further, we fail to understand how a resolution passed in 2013 (#15-13 – see item (a)) would effect 2014 estimated resources and appropriations.

As to item (h), the last financial audit of the Village was for the years ended December 31, 2007 and 2008. For the years 2009 through and including 2012, the Village was approved to be examined through an Agreed-Upon Procedures engagement in lieu of a formal financial audit. The Auditor of State has helped lower the audit costs for Ohio's smaller entities through the use of Agreed-Upon Procedures (AUP). AUP engagements narrow the scope of work to review key internal controls and perform targeted testing of significant transactions for qualifying public offices. The process allows for lower audit costs and reduced billed hours while providing accountability for the public dollars government entities receive and spend. As such, this narrowed scope may not identify issues considered in a financial audit where an opinion is rendered. Further, it is the responsibility of the Village's management to ensure compliance with applicable laws and regulations regardless of whether prior audits or similar engagements communicate them.

FINDING NUMBER 2014-002

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(3) allows for a subdivision or taxing unit to 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 (super blanket purchase orders). This certification is not to extend beyond the current year.

The Fiscal Officer did not cancel super blanket purchase orders at December 31, 2014. As a result, \$45,703 in outstanding super blanket purchase orders extended beyond year end. This understated the January 1, 2015 available fund balance Council used in making operating decisions for the Village.

The Fiscal Officer should ensure all unobligated super blanket purchase orders are canceled at year end in order to provide Council with accurate available fund balances for subsequent year's budgeting and planning.

**VILLAGE OF AMESVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002 (Continued)

Noncompliance Citation - Ohio Revised Code § 5705.41(D)(3) (Continued)

Official's Response: The finding is accurate. However, well before the draft audit report was received, the fiscal officer noticed his error and he called the UAN support line in the State Auditor's office for assistance to correct it. He was informed that there was no way the error could be corrected until the 2015 year end rollover to 2016 was accomplished.

The Audit report should indicate the absence of the means to correct this mistake. The State Auditor's office should also create a way to correct for this kind of mistake for future years. Finally, the complete absence of a process to correct this error should be included in the final audit report.

Auditor's Reaction: We understand the Village Fiscal Officer may have identified this error prior to audit which is why they need to better monitor their outstanding blanket purchase orders prior to year end and close them accordingly. However, the Fiscal Officer should recognize the importance of the inability to manipulate financial data contained within financial reports previously submitted for audit and advertised as being available for public inspection.

FINDING NUMBER 2014-003

Noncompliance and Material Weakness

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

The following misstatements were noted for the year ended December 31, 2013:

- Homestead and rollback receipts in the amount of \$4,307 were incorrectly classified as property and other taxes rather than as intergovernmental receipts in the General Fund.
- The principal portion of debt payments in the amount of \$26,455 were improperly classified as interest and fiscal charges rather than as principal retirement in the Sewer Operating Fund.

The following misstatements were noted for the year ended December 31, 2014:

- Homestead and rollback receipts were incorrectly classified as property and other taxes rather than as intergovernmental receipts in the General Fund (\$4,430), the Parks and Recreation Fund (\$780), the Fire Levy Fund (\$761) and the Police Levy Fund (\$743).
- The principal portion of debt payments in the amount of \$22,392 were improperly classified as interest and fiscal charges rather than as principal retirement in the Sewer Operating Fund.
- Encumbrances outstanding in the General Fund at December 31, 2014 of \$6,498 were improperly classified as unassigned fund balanced rather than as assigned fund balance according to GASB 54.

As a result, significant adjustments and reclassification, with which the Village's management agrees, were made to the financial statements and ledgers and are reflected in the accompanying financial statements.

**VILLAGE OF AMESVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-003 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Fiscal Officer should review the audit adjustments and the Village Officer's Handbook for guidance on the correct line items to post various receipts and expenditures in future audit periods.

Official's Response: The "misstatements" as to the rollback tax payments for both years are accurate. This has been already been corrected for 2015 and will be done properly in subsequent years.

The Village's fiscal officers have booked these payments in past years as real estate taxes and has not had a funding against it or notation about it in any of the audits for 2003-2012,

Again, we were disappointed to learn during the initial exit interview that the Village cannot rely on clean audits for past years. The reason given during the meeting was the prior audits were not done by the State Auditor's office but instead were done by independent, private auditing firms. However, it is our understanding that the prior audits were all submitted by the independent auditing firms to the State Auditor's office and approved.

As to the finding about the \$26,455 and the \$22,392, they appear to be correct. The posting has been corrected for the loan payments made in 2015. UAN support staff spent about an hour getting the 2015 loan payments posted to an account for principal repayment.

As to the General Fund balance being labelled as an assigned fund balance, we are unable to explain how this happened. To prepare this response, the Village's fiscal officer reviewed the 2014 year end document within UAN and the General fund is clearly labeled as unassigned. The fiscal officer will work with the UAN support staff to see to it the General Fund balance is labelled as unassigned in the 2015 rollover.

The claim the misstatements were the result of lack of management oversight is simply not accurate. And, we also have not said the Village's management agrees with adjustments and classifications to the financial statements.

Auditor's Reaction: As noted earlier, the last financial audit of the Village was for the years ended December 31, 2007 and 2008. For the years 2009 through and including 2012, the Village was approved to be examined through Agreed-Upon Procedures (AUP) engagements in lieu of formal financial audits. AUP engagements narrow the scope of work to review key internal controls and perform targeted testing of significant transactions for qualifying public offices. As such, this narrowed scope may not identify issues considered in a financial audit where an opinion is rendered. We cannot support or deny whether homestead and rollback receipts were classified properly or not in prior years. We can only evidence they were improperly classified during our audit period. As pointed out in the opinion; the financial statements are the responsibility of client's management and should consider attending AOS sponsored training or some other form of training to help improve their financial statement understanding.

As far as not agreeing with the adjustments and classifications as presented, the official's response clearly states that the "misstatements" as to rollback tax payments were accurate and that, "as to the finding about the \$26,455 and the \$22,392, they appear to be correct". Additionally, the portion of the General Fund ending balance classified as 'Assigned' was the result of an audit reclassification. The encumbered portion of the General Fund must be classified as Assigned.

**VILLAGE OF AMESVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2014-004

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2014, estimated resources as approved by the Budget Commission did not agree to the Village's ledgers for the following funds:

Fund	Estimated Receipts as Adopted	Estimated Receipts per System	Variance
General Fund	\$55,782	\$35,900	\$ (19,882)
Parks and Recreation	16,262	13,262	(3,000)
Parks Grant Fund	-	3,000	3,000
Police Levy	7,252	10,252	3,000

At December 31, 2014, appropriations as approved by Village Council did not agree to the Village's ledgers for the following funds:

Fund	Appropriations as Adopted	Appropriations per System	Variance
General Fund	48,425	51,075	2,650
Street Construction	22,939	23,264	325
State Highway	3,110	4,110	1,000
Permissive MVLT	6,215	4,252	(1,963)
Parks and Recreation	12,154	14,559	2,405
Fire Levy	7,925	4,878	(3,047)
Police Levy	11,152	10,252	(900)
Water Operating	46,930	47,437	507
Sewer Operating	49,541	55,828	6,287

At December 31, 2013, estimated resources as approved by the Budget Commission did not agree to the Village's ledgers for the following funds:

Fund	Estimated Receipts as Adopted	Estimated Receipts per System	Variance
General Fund	26,676	27,200	524
Street Construction and Maintenance	6,226	6,925	699
State Highway	825	600	(225)
Permissive MVLT	125	500	375
Parks and Recreation	21,802	20,400	(1,402)
Fire Levy	4,878	6,200	1,322
Police Levy	3,252	13,850	10,598

**VILLAGE OF AMESVILLE
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-004 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(C)(1) (Continued)

At December 31, 2013, appropriations as approved by Village Council did not agree to the Village's ledgers for the following funds:

Fund	Appropriations as Adopted	Appropriations per System	Variance
General Fund	\$49,053	\$50,387	\$1,334
Police Levy	17,634	13,634	(4,000)
Water Operating	37,371	38,643	1,272

Because the budgetary information posted to the accounting system differed from the amounts formally approved, the Village Council lost some degree of control and was unable to effectively monitor and report its budget and actual status throughout the year.

The Fiscal Officer should accurately post estimated receipts, as certified by the County Budget Commission, and appropriations, as approved by the Village Council, to the accounting system to help ensure more useful comparisons of budget to actual activity and provide management with an accurate monitoring tool.

Official's Response: We explored this matter with the Auditor's office in Athens County and were informed that even though Village Council adopted resolutions amending the certificate and/or increasing appropriations and even though the fiscal officer mailed a copy of such resolutions to the Athens County Auditor' office, the county Budget Commission will not amend the certificate unless expressly asked to do so in a cover letter. We will do so in the future. Again, we do not agree to adjustments to the Village's financial statements.

Auditor's Reaction: This is a standard comment when the system does not reconcile to approved estimated receipts or appropriations. The client's response does not address the fact the system does not agree to legally approved appropriations or estimated receipts. Also, no formal "adjustment" was proposed relating to this finding,

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Dave Yost • Auditor of State

VILLAGE OF AMESVILLE

ATHENS 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
FEBRUARY 4, 2016