



Dave Yost • Auditor of State

VILLAGE OF CROWN CITY
GALLIA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Crown City
Gallia County
207 Spring Valley Drive
Crown City, Ohio 45623

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 Crown City, Gallia County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, 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 Crown City, Gallia County, Ohio, as of December 31, 2015 and 2014, 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 November 29, 2016, 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

November 29, 2016

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$1,291	\$5,032	\$6,323
Intergovernmental	46,388	53,132	99,520
Charges for Services	17	2,932	2,949
Fines, Licenses and Permits	15,360	0	15,360
Earnings on Investments	24	0	24
Miscellaneous	59	850	909
<i>Total Cash Receipts</i>	<u>63,139</u>	<u>61,946</u>	<u>125,085</u>
Cash Disbursements			
Current:			
Security of Persons and Property	12,886	2,660	15,546
Public Health Services	1,643	4,000	5,643
Leisure Time Activities	0	6,845	6,845
Transportation	0	26,980	26,980
General Government	28,241	89	28,330
Capital Outlay	0	33,000	33,000
Debt Service:			
Principal Retirement	3,500	2,809	6,309
Interest and Fiscal Charges	896	191	1,087
<i>Total Cash Disbursements</i>	<u>47,166</u>	<u>76,574</u>	<u>123,740</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>15,973</u>	<u>(14,628)</u>	<u>1,345</u>
<i>Net Change in Fund Cash Balances</i>	15,973	(14,628)	1,345
<i>Fund Cash Balances, January 1</i>	<u>12,934</u>	<u>85,439</u>	<u>98,373</u>
Fund Cash Balances, December 31			
Restricted	0	56,096	56,096
Committed	0	14,836	14,836
Assigned	28,907	0	28,907
Unassigned (Deficit)	<u>0</u>	<u>(121)</u>	<u>(121)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$28,907</u>	<u>\$70,811</u>	<u>\$99,718</u>

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

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$135,098
<i>Total Operating Cash Receipts</i>	135,098
Operating Cash Disbursements	
Personal Services	4,239
Contractual Services	41,952
Supplies and Materials	6,564
<i>Total Operating Cash Disbursements</i>	52,755
<i>Operating Income</i>	82,343
Non-Operating Receipts (Disbursements)	
Special Assessments	2,500
Principal Retirement	(67,420)
<i>Total Non-Operating Receipts (Disbursements)</i>	(64,920)
<i>Net Change in Fund Cash Balances</i>	17,423
<i>Fund Cash Balances, January 1</i>	50,505
<i>Fund Cash Balances, December 31</i>	\$67,928

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

**VILLAGE OF CROWN CITY
GALLIA 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	\$1,618	\$4,049	\$5,667
Intergovernmental	43,825	23,205	67,030
Charges for Services	365	500	865
Fines, Licenses and Permits	15,914	0	15,914
Earnings on Investments	8	1	9
Miscellaneous	10	5,259	5,269
<i>Total Cash Receipts</i>	<u>61,740</u>	<u>33,014</u>	<u>94,754</u>
Cash Disbursements			
Current:			
Security of Persons and Property	18,507	6,392	24,899
Public Health Services	1,802	3,860	5,662
Leisure Time Activities	0	1,519	1,519
Transportation	0	18,532	18,532
General Government	32,612	513	33,125
Debt Service:			
Principal Retirement	4,000	2,063	6,063
Interest and Fiscal Charges	0	1,333	1,333
<i>Total Cash Disbursements</i>	<u>56,921</u>	<u>34,212</u>	<u>91,133</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,819</u>	<u>(1,198)</u>	<u>3,621</u>
<i>Net Change in Fund Cash Balances</i>	4,819	(1,198)	3,621
<i>Fund Cash Balances, January 1</i>	<u>8,115</u>	<u>86,637</u>	<u>94,752</u>
Fund Cash Balances, December 31			
Restricted	0	65,313	65,313
Committed	0	21,486	21,486
Assigned	12,934	0	12,934
Unassigned (Deficit)	<u>0</u>	<u>(1,360)</u>	<u>(1,360)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$12,934</u>	<u>\$85,439</u>	<u>\$98,373</u>

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

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**COMBINED 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	\$135,842
<i>Total Operating Cash Receipts</i>	<u>135,842</u>
Operating Cash Disbursements	
Personal Services	3,752
Contractual Services	44,362
Supplies and Materials	<u>2,526</u>
<i>Total Operating Cash Disbursements</i>	<u>50,640</u>
<i>Operating Income</i>	<u>85,202</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	317,182
Special Assessments	7,500
Other Debt Proceeds	202,592
Capital Outlay	(323,182)
Principal Retirement	(274,313)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(70,221)</u>
<i>Net Change in Fund Cash Balances</i>	14,981
<i>Fund Cash Balances, January 1</i>	<u>35,524</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$50,505</u></u>

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

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 Crown City, Gallia County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, sewer utilities, park operations, street maintenance, police and fire protection and general maintenance. The Village contracts with the Gallia County Sheriff's Department to provide security of persons and property.

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. 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 and Investments

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

The Village invests all available funds in an interest-bearing checking account and one certificate of deposit.

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.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 license tax money for constructing, maintaining, and repairing Village streets.

Park and Recreation Fund – This fund receives intergovernmental and miscellaneous moneys for constructing, maintaining, and repairing of 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:

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

Sewer Capital Improvement Fund - This fund receives grants and loans from Ohio Water Development Authority (OWDA) and Community Development Block Grant (CDBG) to fund the construction of a sewer system for the Village.

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 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into four 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. 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.

3. 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.

4. 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:

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS (Continued)

	2015	2014
Demand deposits	\$159,778	\$141,034
Certificates of deposit	7,868	7,844
Total deposits	\$167,646	\$148,878

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$47,421	\$63,139	\$15,718
Special Revenue	58,714	61,946	3,232
Enterprise	125,000	137,598	12,598
Total	\$231,135	\$262,683	\$31,548

2015 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,273	\$47,166	\$16,107
Special Revenue	141,234	76,574	64,660
Enterprise	175,504	120,175	55,329
Total	\$380,011	\$243,915	\$136,096

2014 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$47,062	\$61,740	\$14,678
Special Revenue	25,705	33,014	7,309
Enterprise	645,824	663,116	17,292
Total	\$718,591	\$757,870	\$39,279

2014 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$66,452	\$56,921	\$9,531
Special Revenue	101,067	34,212	66,855
Enterprise	681,348	648,135	33,213
Total	\$848,867	\$739,268	\$109,599

Contrary to Ohio Rev. Code § 5705.40, approved appropriations did not agree to the amounts posted to the accounting system.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Valley Bank Building Acquisition Bond	\$20,501	4%
Ohio Water Development Authority Loan	1,058,778	0%
Ohio Public Works Commission Loan	236,500	0%
Total	<u>\$1,315,779</u>	

The Building Acquisition Bond relates to the building purchased for the Fire Department. A bond agreement was signed with the Ohio Valley Bank for \$100,000 at 4% interest due in annual installments for twenty years. The first payment was made November 1, 1999. The Building Acquisition Bond is collateralized by the Village's taxing authority.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,176,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$29,410 over 20 years. The scheduled payment amount below assumes that \$1,176,000 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OPWC approved up to \$258,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$4,300 over 30 years. The scheduled payment amount below assumes that \$258,000 will be borrowed. The OPWC will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	OVB Loan	OWDA Loan	OPWC Loan
2016	\$7,396	\$29,411	\$4,300
2017	7,396	58,821	8,600
2018	7,396	58,821	8,600
2019		58,821	8,600
2020		58,821	8,600
2021-2025		294,105	43,000
2026-2030		294,105	43,000
2031-2035		205,873	43,000
2036-2040			43,000
2041-2045			25,800
Total	<u>\$22,188</u>	<u>\$1,058,778</u>	<u>\$236,500</u>

6. 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 2015 and 2014, 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, 2015.

7. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to § 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

VILLAGE OF CROWN CITY
GALLIA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

7. RISK MANAGEMENT (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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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 Crown City
Gallia County
207 Spring Valley Drive
Crown City, Ohio 45623

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 Crown City, Gallia County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated November 29, 2016, 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 2015-001, 2015-003 and 2015-004 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 2015-001 and 2015-002.

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.

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

November 29, 2016

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.40 provides, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a village council would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See C.B. Transportation, Inc. v. Butler County Board of Mental Retardation, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); and Burkholder v. Lauber, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

In 2014, the Village Council approved amended appropriations throughout the year. In addition, the Council approved the Fiscal Officer to make supplement appropriations without their approval. Furthermore for 2015, changes to appropriations in the accounting system were made by the Fiscal Officer without the Council approval. These changes resulted in the variances noted below.

At December 31, 2015, appropriations as approved by the Village Council did not agree to the Village's accounting system. The variances were as follows:

	Approved	UAN system	Variance
General Fund	\$ 63,273	\$ 66,573	\$ (3,300)
Street Construction, Maintenance, and Repair Fund	59,911	49,850	10,061
Cemetery Fund	10,231	4,000	6,231
Parks and Recreation Fund	21,636	7,500	14,136
Fire Fund	15,376	9,990	5,386
Sewer Operating Fund	175,504	131,420	44,084

At December 31, 2014, appropriations as approved by the Village Council did not agree to the Village's accounting system. The variances were as follows:

	Approved	UAN system	Variance
General Fund	\$ 66,139	\$ 66,452	\$ (313)
Street Construction, Maintenance, and Repair Fund	36,975	15,259	21,716
State Highway Fund	17,347	8,775	8,572
Cemetery Fund	11,668	4,200	7,468
Parks and Recreation Fund	23,035	15,000	8,035
Fire Fund	12,033	8,500	3,533
Other Capital Projects - Sewer	8,950	3,785	5,165
Other Capital Projects	115,140	116,805	(1,665)
Sewer Operating Fund	152,017	122,657	29,360

An adjustment was made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Village Council.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-001 (Continued)

Noncompliance/Material Weakness – Ohio Rev. Code § 5705.40 (Continued)

Village Council should approve all appropriation amendments, record approval in the Council minutes, and file all appropriations amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides, in part, that a subdivision or taxing authority shall not make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrants shall be issued in payment of any amount due thereon. There are several exceptions to the standard requirement states 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, blank certificates, and super blanket certificates, which are provided for in §§ 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 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 of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate 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. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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 year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-002 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)

The Village had unrecorded encumbrances totaling \$1,713 and \$1,862 at December 31, 2015 and 2014, respectively. Also, sixty and eighty percent of the transactions tested for December 31, 2015 and 2014, respectively, were not certified by the Fiscal Officer at the time the commitment was incurred. In addition, there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Furthermore, the Village used "blanket" certificates for which Village Council did not have a resolution adopted to establish a maximum amount.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village officials should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to the purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. In addition, Village Council should adopt a resolution to establish a maximum amount for "blanket" certificates.

FINDING NUMBER 2015-003

Material Weakness

All local public offices should 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, 2015, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

	Approved	UAN system	Variance
General Fund	\$47,421.00	\$ 59,421.00	\$ (12,000)
Sewer Operating Fund	125,000.00	136,000.00	\$ (11,000)

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-003 (Continued)

Material Weakness (Continued)

At December 31, 2014, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

	Approved	UAN system	Variance
General Fund	\$47,062	\$60,124	(\$13,062)
Other Capital Projects - Sewer	0	3,785	(3,785)
Other Capital Projects	115,140	107,855	7,285
Sewer Operating	125,500	144,000	(18,500)

Due to budgetary information being improperly entered into the system, the management of the Village lost some degree of budgetary control. An adjustment was made in the budgetary activity note reported in Note 3 to the financial statements in order to accurately present estimated receipts as approved by the Budget Commission.

The Fiscal Officer should accurately post estimated receipts as certified by the County Budget Commission. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

FINDING NUMBER 2015-004

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following errors were noted in the financial statements that required audit adjustments or reclassifications:

In 2014:

- General Fund January 1, 2014 beginning fund balance was overstated by \$11,275 in comparison with the audited December 31, 2013 ending fund balance;
- General Fund tax receipts of \$1,095 were incorrectly posted as taxes in the Fire Fund;
- General Fund debt service principal disbursements of \$4,000 were incorrectly posted as interest and fiscal charges;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village improperly reported the assigned portion of the General Funds' cash fund balance as unassigned, in the amount of \$12,934;
- Street Construction, Maintenance, and Repair Fund January 1, 2014 beginning fund balance was understated by \$21,176 in comparison with the audited December 31, 2013 ending fund balance;

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-004 (Continued)

Material Weakness (Continued)

- Street Construction, Maintenance and Repair Fund intergovernmental receipts of \$5,373 were incorrectly posted as intergovernmental in the General Fund;
- Street Construction, Maintenance, and Repair Fund intergovernmental receipts of \$3,752 were incorrectly posted as intergovernmental and tax receipts in the State Highway Fund in the amount of \$3,694 and \$58, respectively,
- Street Construction, Maintenance, and Repair Fund transportation disbursements of \$3,752 were incorrectly posted as security of persons and property disbursements in the State Highway Fund;
- State Highway Fund January 1, 2014 beginning fund balance was overstated by \$9,901 in comparison with the audited December 31, 2013 ending fund balance;
- State Highway Fund intergovernmental receipts of \$436 were incorrectly posted as intergovernmental in the General Fund;
- Fire Fund debt service principal and interest and fiscal charges disbursements of \$2,063 and \$1,333, respectively, were incorrectly posted as security of persons and property disbursements;
- Sewer Capital Projects Fund activity was incorrectly mapped as a Capital Projects Fund instead of as an Enterprise Fund resulting in a decrease in Capital Projects Fund January 1, 2014 beginning balance of \$8,950 and an equal increase in Sewer Capital Projects Fund January 1 2014 beginning balance, a decrease in Capital Projects Fund special assessments receipts of \$111,640 and an equal increase in Sewer Capital Projects Fund intergovernmental receipts, a decrease in Capital Projects Fund capital outlay disbursements of \$3,785 and an equal increase in Sewer Capital Projects Fund capital outlay disbursements, and a decrease in Capital Projects Fund debt service interest and fiscal charges of \$116,805 and an equal increase in Sewer Capital Projects Fund capital outlay disbursements;
- Sewer Fund January 1, 2014 beginning fund balance was understated by \$57 due to returned check;
- Sewer Fund OWDA loan proceeds and capital outlay disbursements of \$202,592 were unrecorded;
- Sewer Fund OWDA loan principal forgiveness intergovernmental receipt and debt service principal retirement disbursements of \$202,592 were unrecorded;
- Sewer Fund intergovernmental receipt of \$2,950 was incorrectly classified as special assessments;
- Sewer Fund charges for services receipts of \$135,899 were incorrectly classified as special assessments;
- Sewer Fund contractual service disbursements of \$19,981 were incorrectly classified as personal service disbursements; and
- Sewer Fund contractual service disbursements of \$8,280 were incorrectly classified as supplies and materials disbursements.

In 2015:

- General Fund debt service principal disbursements of \$3,500 were incorrectly classified as general government and debt service interest and fiscal charges in the amount of \$896 and \$2,604 respectively;

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-004 (Continued)

Material Weakness (Continued)

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village improperly reported the assigned portion of the General Funds' cash fund balance as unassigned, in the amount of \$29,294;
- Fire Fund taxes receipts of \$387 were incorrectly posted as intergovernmental receipts in the General Fund;
- Fire Fund security of persons and property disbursements of \$563 were incorrectly posted as transportation disbursements of \$504 in the Street Construction, Maintenance and Repair Fund and as security of persons and property disbursements of \$59 in the State Highway Fund;
- Fire Fund debt service principal and interest disbursements of \$2,809 and \$191 respectively, were incorrectly classified as security of persons and property;
- Park Fund intergovernmental receipt and capital outlay disbursement of \$33,000 were unrecorded;
- Street Construction, Maintenance and Repair Fund intergovernmental receipts of \$5,332 were incorrectly posted as intergovernmental in the General Fund;
- State Highway Fund intergovernmental receipts of \$433 were incorrectly posted as intergovernmental in the General Fund;
- Sewer Fund charges for services receipts of \$135,098 were incorrectly classified as special assessments; and
- Sewer Fund contractual service disbursements of \$20,605 were incorrectly classified as personal service.

The audited financial statements and the Village's UAN accounting system have been adjusted for the items noted above.

The Fiscal Officer should review the Village Handbook for guidance to ensure the financial statements are complete and accurate. The Fiscal Officer should also review Auditor of State Bulletin 2011-004 for Statement No. 54 of the Governmental Accounting Standards Board (GASB) for proper reporting of fund balances on the financial statements [see GASB Cod. 1800.165].

Officials' Response: We did not receive a response from Officials to the Findings reported above.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 5705.41(D) – Certification of availability of funds prior to commitment.	No	Not Corrected; Reissued as Finding Number 2015-002.
2013-002	Material Weakness – Posting of receipts and disbursements.	No	Not Corrected; Reissued as Finding Number 2015-004.
2013-003	Significant Deficiency – Failure to maintain accounting records.	Yes	
2013-004	Ohio Rev. Code § 5705.40 – Board approved appropriations did not agree to the accounting system.	No	Not Corrected; Reissued as Finding Number 2015-001.
2013-005	Ohio Rev. Code § 2921.42(A)(4) – Interest in profits or benefits of public contract.	Yes	
2013-006	24 C.F.R § 85.21(c) and Section (A)(3)(f) – Failure to expend drawdown within fifteen days.	Yes	
2013-007	OMB Circular Number A-133, Subpart C, §.300(a) – Identify federal awards received and expended.	Yes	

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Dave Yost • Auditor of State

VILLAGE OF CROWN CITY

GALLIA 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
DECEMBER 13, 2016