



***VILLAGE OF MOWRYSTOWN  
HIGHLAND COUNTY***

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**Regular Audit**

**For the Years Ended  
December 31, 2015 and 2014**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

Village Council  
Village of Mowrystown  
50 Maple Street  
Mowrystown, Ohio 45155

We have reviewed the *Independent Auditor's Report* of the Village of Mowrystown, Highland County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Mowrystown is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 1, 2016

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**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**

Table of Contents

For the Years Ended December 31, 2015 and 2014

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Independent Auditor’s Report.....	1
<b>GENERAL PURPOSE FINANCIAL STATEMENTS:</b>	
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2015.....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2015.....	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2014.....	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2014.....	6
Notes to the Financial Statements.....	7
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	16
Schedule of Findings.....	18
Schedule of Prior Audit Findings.....	20

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## **Independent Auditor's Report**

Village Council  
Village of Mowrystown, Highland County  
50 Maple Street  
Mowrystown, OH 45155

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 Mowrystown, Highland 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal controls 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 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D), which is an accounting basis other than accounting principles generally accepted in the United States of American (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 Section 117.38 and Ohio Administrative Code Section 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 or cash flows thereof for the year 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 Mowrystown, Highland County 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 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.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

June 15, 2016

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2015**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<b><u>Cash Receipts:</u></b>			
Property and Local Taxes	\$19,507	\$23,142	\$42,649
Intergovernmental	26,870	24,323	51,193
Fines, Licenses, and Permits	3,150	125	3,275
Miscellaneous	5,643	0	5,643
	<u>55,170</u>	<u>47,590</u>	<u>102,760</u>
<b><u>Cash Disbursements:</u></b>			
<i>Current:</i>			
General Government	32,476	0	32,476
Security of Persons and Property	0	21,872	21,872
Basic Utility Services	18,202	0	18,202
Transportation	0	12,349	12,349
	<u>50,678</u>	<u>34,221</u>	<u>84,899</u>
Total Cash Disbursements	<u>50,678</u>	<u>34,221</u>	<u>84,899</u>
Cash Receipts Over/(Under) Cash Disbursements	4,492	13,369	17,861
Fund Cash Balances, January 1	<u>478</u>	<u>130,544</u>	<u>131,022</u>
Restricted	0	142,636	142,636
Committed	0	1,277	1,277
Assigned	4,970	0	4,970
<b><i>Fund Cash Balances, December 31</i></b>	<u><u>\$4,970</u></u>	<u><u>\$143,913</u></u>	<u><u>\$148,883</u></u>

See accompanying notes to the financial statements.

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Proprietary Fund Types and Similar Fiduciary Funds**  
**For the Year Ended December 31, 2015**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Totals</u>
<b><u>Operating Cash Receipts:</u></b>			
Charges for Services	\$158,459	\$0	\$158,459
Total Operating Cash Receipts	158,459	0	158,459
<b><u>Operating Cash Disbursements:</u></b>			
Personal Services	8,339	0	8,339
Employee Fringe Benefits	1,288	0	1,288
Contractual Services	14,290	0	14,290
Supplies and Materials	23,144	0	23,144
Other	73,700	0	73,700
Total Operating Cash Disbursements	120,761	0	120,761
Operating Income (Loss)	37,698	0	37,698
<b><u>Non-Operating Cash Receipts:</u></b>			
Other Non-Operating Cash Receipts	539	4,626	5,165
Total Non-Operating Cash Receipts	539	4,626	5,165
<b><u>Non-Operating Cash Disbursements:</u></b>			
Redemption of Principal	(30,611)	0	(30,611)
Interest and Other Fiscal Charges	(31,516)	0	(31,516)
Other Non-Operating Cash Disbursements	(81)	(4,329)	(4,410)
Total Non-Operating Cash Disbursements	(62,208)	(4,329)	(66,537)
Net Receipts Over/Under Disbursements	(23,971)	297	(23,674)
Fund Cash Balances, January 1	65,402	1,966	67,368
<b><i>Fund Cash Balances, December 31</i></b>	<b><u><u>\$41,431</u></u></b>	<b><u><u>\$2,263</u></u></b>	<b><u><u>\$43,694</u></u></b>

See accompanying notes to the financial statements.

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2014**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<b><u>Cash Receipts:</u></b>			
Property and Local Taxes	\$19,441	\$20,893	\$40,334
Intergovernmental	18,545	23,744	42,289
Fines, Licenses, and Permits	2,172	115	2,287
Miscellaneous	11,243	0	11,243
Total Cash Receipts	<u>51,401</u>	<u>44,752</u>	<u>96,153</u>
<b><u>Cash Disbursements:</u></b>			
<i>Current:</i>			
General Government	36,299	104	36,403
Security of Persons and Property	0	24,428	24,428
Basic Utility Services	15,526	0	15,526
Transportation	0	3,438	3,438
Total Cash Disbursements	<u>51,825</u>	<u>27,970</u>	<u>79,795</u>
Cash Receipts Over/(Under) Cash Disbursements	(424)	16,782	16,358
Fund Cash Balances, January 1	<u>902</u>	<u>113,762</u>	<u>114,664</u>
Restricted	0	129,392	129,392
Committed	0	1,152	1,152
Assigned	478	0	478
<b><i>Fund Cash Balances, December 31</i></b>	<b><u>\$478</u></b>	<b><u>\$130,544</u></b>	<b><u>\$131,022</u></b>

See accompanying notes to the financial statements.

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Proprietary Fund Types and Similar Fiduciary Funds**  
**For the Year Ended December 31, 2014**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Totals</u>
<b><u>Operating Cash Receipts:</u></b>			
Charges for Services	\$125,086	\$0	\$125,086
Total Operating Cash Receipts	125,086	0	125,086
<b><u>Operating Cash Disbursements:</u></b>			
Personal Services	10,453	0	10,453
Employee Fringe Benefits	1,498	0	1,498
Contractual Services	19,274	0	19,274
Supplies and Materials	12,336	0	12,336
Other	55,275	0	55,275
Total Operating Cash Disbursements	98,836	0	98,836
Operating Income (Loss)	26,250	0	26,250
<b><u>Non-Operating Cash Receipts:</u></b>			
Other Non-Operating Cash Receipts	0	3,147	3,147
Total Non-Operating Cash Receipts	0	3,147	3,147
<b><u>Non-Operating Cash Disbursements:</u></b>			
Redemption of Principal	(30,125)	0	(30,125)
Interest and Other Fiscal Charges	(31,999)	0	(31,999)
Other Non-Operating Cash Disbursements	(121)	(2,286)	(2,407)
Total Non-Operating Cash Disbursements	(62,245)	(2,286)	(64,531)
Net Receipts Over/Under Disbursements	(35,995)	861	(35,134)
Fund Cash Balances, January 1	101,397	1,105	102,502
<b><i>Fund Cash Balances, December 31</i></b>	<b><u><u>\$65,402</u></u></b>	<b><u><u>\$1,966</u></u></b>	<b><u><u>\$67,368</u></u></b>

See accompanying notes to the financial statements.

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2015 and 2014*

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**Note 1 – Reporting Entity**

The Village of Mowrystown, Highland County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council and a publicly elected Mayor.

The Village provides general government services, police services and park maintenance.

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

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

The Village's financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**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:

**General Fund:** The General Fund is the general operating fund. It is used to account for all financial resources, except those required by law or contracted to be restricted.

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

*Street Construction Maintenance and Repair Fund* – This fund receives gasoline tax, motor vehicle license tax for constructing, maintaining and repairing Village Streets.

*Police Levy Fund* – This fund receives tax money to provide police protection services to the Village.

**Enterprise Funds:** These funds are used to account for any activities for which a fee is charged to external users for goods or services. The Village has the following significant Enterprise Funds:

*Sewer Fund* -This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Debt Fund* - This fund receives is used to account for the debt obtained to finance the Sewer System.

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2015 and 2014**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

Agency Funds: These funds are used to account for custodial funds held by the Village acting as an agent for another government, organization, individual, or fund. The Village has the following significant agency fund:

*Mayor’s Court Fund* – This agency fund is used to account for the activities of the Mayor’s Court.

Budgetary Process

The Ohio Revised Code requires that each Village fund, except Agency Funds, be budgeted annually.

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

Estimated Resources: Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Highland County Budget Commission must also certify estimated resources.

Encumbrances: The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 5.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village’s basis of accounting.

**Note 3 – Cash and Investments**

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of cash at year end was as follows:

	December 31, 2015	December 31, 2014
Demand Deposits	\$192,577	\$198,390
Total	\$192,577	\$198,390

*Deposits*: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution’s public entity deposit pool.

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2015 and 2014**

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**Note 4 – Budgetary Basis of Accounting**

The Village’s budgetary activity for the years ending December 31, 2015 and December 31, 2014 was as follows:

2015 Budgeted vs. Actual Receipts			
	Receipts		
Fund Type	Budgeted	Actual	Variance
General	\$51,618	\$55,170	\$3,552
Special Revenue	47,160	47,590	430
Enterprise	149,000	158,998	9,998
<i>Total</i>	\$247,778	\$261,758	\$13,980

2015 Budgeted vs. Actual Budgetary Disbursements			
	Appropriation	Budgetary	
Fund Type	Authority	Disbursements	Variance
General	\$52,096	\$50,678	\$1,418
Special Revenue	84,109	34,221	49,888
Enterprise	214,400	182,969	31,431
<i>Total</i>	\$350,605	\$267,868	\$82,737

2014 Budgeted vs. Actual Receipts			
	Receipts		
Fund Type	Budgeted	Actual	Variance
General	\$50,286	\$51,401	\$1,115
Special Revenue	43,408	44,752	1,344
Enterprise	149,000	125,086	(23,914)
<i>Total</i>	\$242,694	\$221,239	(\$21,455)

2014 Budgeted vs. Actual Budgetary Disbursements			
	Appropriation	Budgetary	
Fund Type	Authority	Disbursements	Variance
General	\$51,188	\$51,825	(\$637)
Special Revenue	156,961	27,970	128,991
Enterprise	249,559	161,081	88,478
<i>Total</i>	\$457,708	\$240,876	\$216,832

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2015 and 2014**

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**Note 5- Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes area 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. 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.

**Note 6- Long-Term Obligations**

A schedule of changes in long-term obligations of the Village during 2015 follows:

	Interest Rate	Principal Balance 12-31-14	Issued in 2015	Retired in 2015	Principal Balance 12-31-15
Wastewater System Mortgage Revenue Bonds	4.13%	\$701,809	\$0	\$9,806	\$692,003
Ohio Water Development Authority Loan	1.00%	258,961	0	9,598	249,363
Ohio Public Works Commission Loan	0.00%	168,110	0	11,207	156,903
		<u>\$1,128,880</u>	<u>\$0</u>	<u>\$30,611</u>	<u>\$1,098,269</u>

A schedule of changes in long-term obligations of the Village during 2014 follows:

	Interest Rate	Principal Balance 12-31-13	Issued in 2014	Retired in 2014	Principal Balance 12-31-14
Wastewater System Mortgage Revenue Bonds	4.13%	\$711,225	\$0	\$9,416	\$701,809
Ohio Water Development Authority Loan	1.00%	268,463	0	9,502	258,961
Ohio Public Works Commission Loan	0.00%	179,317	0	11,207	168,110
		<u>\$1,159,005</u>	<u>\$0</u>	<u>\$30,125</u>	<u>\$1,128,880</u>

The wastewater system mortgage revenue bonds were issued June 13, 2008 in the total amount of \$753,000 to pay an Ohio Water Development Authority Loan used to finance the installation of a wastewater collection system in the Village. The revenue of the Village's sewer utility has been pledged to repay the debt. As required by the bond covenant, the Village has established and funded the Sewer Reserve Fund. As of December 31, 2015 the Sewer Reserve Fund balance was \$539.

The Ohio Water Development Authority (OWDA) loan was obtained for construction of the new wastewater collection system. This loan is to be paid in semiannual installments over 30 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2015 and 2014**

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**Note 6- Long-Term Obligations** – (Continued)

The Ohio Public Works Commission loan is also for construction of the new wastewater collection system. The Village will repay the loans in semiannual installments over 20 years. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization of the above obligations, including interest, is scheduled as follow:

	Mortgage Revenue Bonds	OWDA Loan	OPWC Loan
2016	\$38,832	\$12,163	\$11,207
2017	38,755	12,163	11,207
2018	38,754	12,163	11,207
2019	38,755	12,163	11,207
2020	38,829	12,163	11,208
2021-2025	193,841	60,817	56,037
2026-2030	193,835	60,817	44,830
2031-2035	193,827	60,817	0
2036-2040	193,850	36,490	0
2041-2045	193,793	0	0
2046-2050	116,268	0	0
Total	\$1,279,339	\$279,756	\$156,903

**Note 7 – Defined Benefit Pension Plans**

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

*Plan Description* - Village employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2015 and 2014**

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**Note 7 – Defined Benefit Pension Plans** – (Continued)

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

*Funding Policy* - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0%
Employee	10.0%
<b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0%
Post-Employment Health Care Benefits	<u>2.0%</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$4,106 for year 2015.

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2015 and 2014**

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**Note 8 – Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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

**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, 2015, 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, 2015 and 2014 (the latest information available):

	2015	2014
Assets	\$38,307,677	\$35,402,177
Liabilities	(12,759,127)	(12,363,257)
Net Position - Unrestricted	\$25,548,550	\$23,038,920

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$11.0 million and \$10.8 million of estimated incurred claims payable. The assets above also include approximately \$12.7 million and \$12.4 million of unpaid claims to be billed to approximately 499 and 488 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

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.

<b><u>Contributions to PEP</u></b>	
2015	2014
\$7,098	\$7,066

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2015 and 2014**

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**Note 8 – Risk Management** – (Continued)

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. Pursuant to Section 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 coverage's to its members sold through fourteen appointed independent agents in the State of Ohio.

**Note 9 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 10 – Fund Cash Balances**

As of December 31, 2015, fund balances are composed of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
<i>Restricted:</i>			
Police Operations	\$0	\$18,382	\$18,382
Road Maintenance & Improvement	0	124,254	124,254
<i>Committed:</i>			
Court	0	1,277	1,277
<i>Assigned:</i>			
Future Appropriations	<u>4,970</u>	<u>0</u>	<u>4,970</u>
Total	<u>\$4,970</u>	<u>\$143,913</u>	<u>\$148,883</u>

As of December 31, 2014, fund balances are composed of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
<i>Restricted:</i>			
Police Operations	\$0	\$15,997	\$15,997
Road Maintenance & Improvement	0	113,395	113,395
<i>Committed:</i>			
Court	0	1,152	1,152
<i>Assigned:</i>			
Future Appropriations	<u>478</u>	<u>0</u>	<u>478</u>
Total	<u>\$478</u>	<u>\$130,544</u>	<u>\$131,022</u>

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2015 and 2014*

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**Note 10 – Compliance**

The fiscal officer failed to accurately maintain the Village's financial records as required by Ohio Rev. Code Section 733.28.

The Village did not authorize or certify tax levies to the County Auditor as required by Ohio Rev. Code Section 5705.34.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards***

Village of Mowrystown  
Highland County  
50 Maple Street  
Mowrystown, OH 45155

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 the fund type of the Village of Mowrystown, Highland 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 June 15, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 opinions 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 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 identified a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Village Council  
Village of Mowrystown, Highland County  
Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards*

### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 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.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

June 15, 2016

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2015 and 2014**

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

*Finding Number 2015-001*

**Financial Record Keeping - Material Weakness**

Ohio Rev. Code Section 733.28 provides, in part, that the Village Clerk shall keep the books of the Village and exhibit accurate statements of all monies received and expended.

The Village did not properly post the following transactions to the proper account codes, and therefore reported materially incorrect account classifications in the Village's annual financial report:

In 2014:

- General Fund intergovernmental revenue of \$2,121 misposted as property tax revenue;
- General Fund assigned fund balance of \$4,970 was reclassified to unassigned fund balance;
- Fire Fund intergovernmental revenue of \$3,911 misposted as property tax and other revenue;
- Debt Retirement Fund to reclassify interest payments of \$16,523 misposted as principal;
- Sewer Operating Fund to correctly record receipt at gross of \$121;
- Sewer Operating Fund to reclassify principal of \$9,502 and interest payments of \$2,661 misposted as operating disbursements – supplies & materials;
- Mayor's Court Fund other non-operating receipts of \$3,147 was unrecorded;
- Mayor's Court Fund other non-operating disbursements of \$2,286 was unrecorded.

In 2015:

- General Fund intergovernmental revenue of \$3,915 misposted as property tax and other revenue;
- General Fund assigned fund balance of \$478 was reclassified to unassigned fund balance;
- Fire Fund intergovernmental revenue of \$2,225 misposted as property tax and other revenue;
- Sewer Operating Fund to correctly record receipt at gross of \$81;
- Sewer Operating Fund to reclassify principal of \$10,377 and interest payments of \$2,566 misposted as operating disbursements – supplies & materials;
- Enterprise Reserve Fund to reclassify principal of \$14,630 and interest payments of \$28,950 misposted as operating disbursements – other;
- Mayor's Court Fund other non-operating receipts of \$4,626 was unrecorded;
- Mayor's Court Fund other non-operating disbursements of \$4,329 was unrecorded.

The audited financial statements have been adjusted for the issues noted above.

Additionally, the Village classified the Sewer Debt Fund as a Debt Service Fund type and the Sewer Construction Fund as a Capital Project Fund on the 2015 and 2014 annual financial reports. These funds are reclassified as Enterprise Fund Types on the accompanying financial statements.

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2015 and 2014**

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***Finding Number 2015-001(continued)***

Failure to properly post transactions resulted in transactions being inaccurately classified in the annual report and inaccurate fund balances. The Fiscal Officer agreed to reclassifications to correctly report the above items, and the reclassifications were posted to the accompanying financial statements. The Fiscal Officer should review the chart of accounts in the Ohio Village Handbook to assure that items are being posted to the proper funds and account codes.

**Officials' Response**

We did not receive a response from officials for the finding above.

***Finding Number 2015-002***

**Amended Appropriations - Noncompliance Citation**

Ohio Rev. Code Section 5705.34 provides in part that each taxing authority shall pass an ordinance or resolution to authorize the necessary tax levies for the following year and certify them to the County Auditor before the first day of October in each year. The Village Counsel did not make this resolution or submit it to the County Auditor during 2014 or 2015 as required. Failure to submit the resolution could result in the loss of tax money. The Village should implement procedures to authorize the necessary tax levies by or before October 1 of each year, unless a later date is approved by the tax commissioner.

**Official's Response**

We did not receive a response from officials for the finding above.

**VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2015 and 2014**

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<b>Finding Number</b>	<b>Description</b>	<b>Status</b>	<b>Comments</b>
	<i>Government Auditing Standards:</i>		
2013-001	Section 733.28, transactions not posted to the proper accounts and not reported in the proper classifications	Not Corrected	Not Corrected – Repeated as finding # 2015-01
2013-002	Section 5705.34, resolution not made to authorize tax levies	Not Corrected	Not Corrected – Repeated as finding # 2015-02



# Dave Yost • Auditor of State

**VILLAGE OF MOWRYSTOWN**

**HIGHLAND 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  
AUGUST 11, 2016**