

VILLAGE OF WASHINGTONVILLE

COLUMBIANA COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2015 and 2014





Dave Yost • Auditor of State

Village Council
Village of Washingtonville
415 S. County Road
Washingtonville, OH 44490

We have reviewed the *Independent Auditor's Report* of the Village of Washingtonville, Columbiana County, prepared by Charles E. Harris & 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 Washingtonville 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 24, 2016

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VILLAGE OF WASHINGTONVILLE
COLUMBIANA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Village of Washingtonville
Columbiana County
415 S. County Road
Washingtonville, OH 44490

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

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis 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 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 Village of Washingtonville, Columbiana 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) 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 June 1, 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.



Charles E. Harris & Associates, Inc.
June 1, 2016

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 15,596	\$ 67,459	-	\$ 83,055
Intergovernmental	28,310	56,930	-	85,240
Fines and Forfeitures	85,570	-	-	85,570
Miscellaneous	2,418	941	-	3,359
<i>Total Cash Receipts</i>	<u>131,894</u>	<u>125,330</u>	<u>-</u>	<u>257,224</u>
Cash Disbursements				
Current:				
Security of Persons and Property	79,323	82,065	-	161,388
Transportation	-	28,410	-	28,410
General Government	72,336	1,624	-	73,960
Capital Outlay	1,615	50,515	-	52,130
Debt Service:				
Principal Retirement	-	2,724	-	2,724
Interest & Fiscal Charges	-	201	-	201
<i>Total Cash Disbursements</i>	<u>153,274</u>	<u>165,539</u>	<u>-</u>	<u>318,813</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(21,380)	(40,209)	-	(61,589)
Other Financing Receipts (Disbursements)				
Sale of Notes	-	25,700	-	25,700
Sale of Capital Asset	10,801	4,000	-	14,801
Advances In	3,500	3,500	-	7,000
Advances Out	(3,500)	(3,500)	-	(7,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>10,801</u>	<u>29,700</u>	<u>-</u>	<u>40,501</u>
<i>Net Change in Fund Cash Balances</i>	(10,579)	(10,509)	-	(21,088)
<i>Fund Cash Balances, January 1</i>	<u>53,709</u>	<u>242,841</u>	<u>\$ 3,262</u>	<u>299,812</u>
Fund Cash Balances, December 31				
Restricted	-	232,332	3,262	235,594
Unassigned	43,130	-	-	43,130
<i>Fund Cash Balances, December 31</i>	<u>\$ 43,130</u>	<u>\$ 232,332</u>	<u>\$ 3,262</u>	<u>\$ 278,724</u>

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

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA COUNTY
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**

	<u>Proprietary Fund Types Enterprise Fund</u>	<u>Fiduciary Fund Types Agency</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 339,090	-	\$ 339,090
Fines, Licenses and Permits	-	\$ 119,208	119,208
Total Operating Cash Receipts	339,090	119,208	458,298
Operating Cash Disbursements			
Personal Services	93,499	-	93,499
Employee Fringe Benefits	50,631	-	50,631
Contractual Services	111,984	611	112,595
Supplies and Materials	24,049	4,185	28,234
Distribution of Fines	-	117,541	117,541
Total Operating Cash Disbursements	280,163	122,337	402,500
Operating Income (Loss)	58,927	(3,129)	55,798
Non-Operating Receipts (Disbursements):			
Sale of Notes	20,000	-	20,000
Miscellaneous Receipts	27	50	77
Capital Outlay	(55,556)	-	(55,556)
Principal Retirement	(23,058)	-	(23,058)
Interest and Fiscal Charges	(27,702)	-	(27,702)
Total Non-Operating Receipts (Disbursements)	(86,289)	50	(86,239)
Net Change in Fund Cash Balance	(27,362)	(3,079)	(30,441)
Fund Cash Balance, January 1	356,212	22,215	378,427
Fund Cash Balance, December 31	\$ 328,850	\$ 19,136	\$ 347,986

See accompanying Notes to the Financial Statements.

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 16,534	\$ 69,788	-	\$ 86,322
Intergovernmental	23,022	54,551	-	77,573
Fines and Forfeitures	66,546	-	-	66,546
Miscellaneous	1,507	1,414	-	2,921
<i>Total Cash Receipts</i>	<u>107,609</u>	<u>125,753</u>	<u>-</u>	<u>233,362</u>
Cash Disbursements				
Current:				
Security of Persons and Property	59,825	90,250	-	150,075
Transportation	-	28,762	-	28,762
General Government	57,917	1,658	-	59,575
Capital Outlay	1,026	4,994	315	6,335
<i>Total Cash Disbursements</i>	<u>118,768</u>	<u>125,664</u>	<u>315</u>	<u>244,747</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(11,159)	89	(315)	(11,385)
Other Financing Receipts (Disbursements)				
Advances In	3,150	3,626	-	6,776
Advances Out	(3,626)	(3,150)	-	(6,776)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(476)</u>	<u>476</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(11,635)	565	(315)	(11,385)
<i>Fund Cash Balances, January 1</i>	<u>65,344</u>	<u>242,276</u>	<u>3,577</u>	<u>311,197</u>
Fund Cash Balances, December 31				
Restricted	-	242,841	3,262	246,103
Unassigned	53,709	-	-	53,709
<i>Fund Cash Balances, December 31</i>	<u>\$ 53,709</u>	<u>\$ 242,841</u>	<u>\$ 3,262</u>	<u>\$ 299,812</u>

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

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA COUNTY
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**

	<u>Proprietary Fund Types</u> <u>Enterprise Fund</u>	<u>Fiduciary Fund Types</u> <u>Agency</u>	<u>Total (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 350,150	-	\$ 350,150
Fines, Licenses and Permits	-	\$ 97,013	97,013
Total Operating Cash Receipts	<u>350,150</u>	<u>97,013</u>	<u>447,163</u>
Operating Cash Disbursements			
Personal Services	72,535	-	72,535
Employee Fringe Benefits	37,571	-	37,571
Contractual Services	139,836	452	140,288
Supplies and Materials	20,806	2,099	22,905
Distribution of fines	-	92,277	92,277
Total Operating Cash Disbursements	<u>270,748</u>	<u>94,828</u>	<u>365,576</u>
Operating Income (Loss)	79,402	2,185	81,587
Non-Operating Receipts (Disbursements):			
Miscellaneous Receipts	360	-	360
Capital Outlay	(22,428)	-	(22,428)
Principal Retirement	(19,870)	-	(19,870)
Interest and Fiscal Charges	(28,215)	-	(28,215)
Total Non-Operating Receipts (Disbursements)	<u>(70,153)</u>	<u>-</u>	<u>(70,153)</u>
Net Receipts Over Disbursements	9,249	2,185	11,434
Fund Cash Balance, January 1	<u>346,963</u>	<u>20,030</u>	<u>366,993</u>
Fund Cash Balance, December 31	<u><u>\$ 356,212</u></u>	<u><u>\$ 22,215</u></u>	<u><u>\$ 378,427</u></u>

See accompanying Notes to the Financial Statements.

**Village of Washingtonville
Columbiana 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 Washingtonville, Columbiana County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services such as water and sewer utilities, street repair and maintenance and police services. The Village contracts with the Village of Leetonia for fire protection.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

The Village'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.

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

2. Special Revenue Funds

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

**Village of Washingtonville
Columbiana County**

**Notes to the Financial Statements (continued)
December 31, 2015 and 2014**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

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

Police Fund – This fund receives property tax monies to solely provide police protection services for Village residents.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project fund:

Building Fund – This fund receives grant monies to make improvements to the Village hall.

4. Enterprise Funds

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

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

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

Sewer Capital Fund - This fund receives a portion of sewer charges for services. This money is used to repay a USDA loan used to finance improvements to the Village sewage system.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other governments. The Village's agency fund accounts for fines and court costs collected in the Mayor's court.

**Village of Washingtonville
Columbiana County**

**Notes to the Financial Statements (continued)
December 31, 2015 and 2014**

1. Summary of Significant Accounting Policies (continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried forward to the subsequent year.

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

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

**Village of Washingtonville
Columbiana County**

**Notes to the Financial Statements (continued)
December 31, 2015 and 2014**

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance (continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	2015	2014
Demand deposits	<u>\$626,710</u>	<u>\$678,239</u>
Total deposits and investments	<u><u>\$626,710</u></u>	<u><u>\$678,239</u></u>

**Village of Washingtonville
Columbiana County**

**Notes to the Financial Statements (continued)
December 31, 2015 and 2014**

2. Equity in Pooled Deposits and Investments (continued)

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

3. Budgetary Activity

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

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$159,355	\$153,274	\$6,081
Special Revenue	358,345	165,539	192,806
Enterprise	652,997	386,479	266,518
Total	\$1,170,697	\$705,292	\$465,405

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,877	\$142,695	\$54,818
Special Revenue	128,702	155,030	26,328
Enterprise	365,000	359,117	(5,883)
Total	\$581,579	\$656,842	\$75,263

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$138,492	\$118,768	\$19,724
Special Revenue	352,575	125,664	226,911
Enterprise	573,447	341,261	232,186
Total	\$1,064,514	\$585,693	\$478,821

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,877	\$107,609	\$19,732
Special Revenue	128,328	125,753	(2,575)
Enterprise	365,000	350,510	(14,490)
Total	\$581,205	\$583,872	\$2,667

**Village of Washingtonville
Columbiana County**

**Notes to the Financial Statements (continued)
December 31, 2015 and 2014**

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.

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

Columbiana County and Mahoning County are 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>
USDA Loan 92-01	\$ 596,000	4.50%
Farmer's National Bank Vehicle Note	\$ 40,788	2.44%
Total	<u>\$ 636,788</u>	

In 1997, the Village entered into a loan agreement with the United States Department of Agriculture, Rural Development. The loan was used for a water and sewer line to bring water from the City of Salem to the Village of Washingtonville. The loan will be repaid in annual installments over forty years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements. The loan is being repaid from an Enterprise Improvement Fund.

In 2015, the Village issued a Note to purchase a new dump truck for the Street Department and a new utility truck for the Water and Sewer Departments. The loan is considered a general obligation of the Village and is being repaid over 36 months from the Street Construction Fund, the Water Operating Fund and Sewer Operating Fund.

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

Year ending December 31:	USDA 92-01	Farmer's Bank Note
2016	\$ 42,820	\$ 15,822
2017	43,100	15,822
2018	43,335	10,548
2019	43,525	
2020	43,670	-
2021-2025	215,220	-
2026-2030	216,725	-
2031-2035	216,390	-
2036-2037	86,490	-
Total	<u>\$ 951,275</u>	<u>\$ 42,192</u>

**Village of Washingtonville
Columbiana County**

**Notes to the Financial Statements (continued)
December 31, 2015 and 2014**

6. Retirement Systems

The Village's part-time police officers and other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' 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% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public officials' liability
- Vehicles
- Errors and omissions
- Commercial inland marine
- Employer's liability
- Employee benefits liability
- Crime

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the Village did not reduce the limits of liability significantly in the current period.

The Village pays the State Workers' Compensation System ("System") a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

8. Contingent Liabilities

Management believes there are no pending claims or lawsuits

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Village of Washingtonville
Columbiana County
415 S. County Road
Washingtonville, Ohio 44490

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 Washingtonville, Columbiana County (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 1, 2016.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2015-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 1, 2016.

Village's Responses to Findings

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

Purpose of this Report

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



Charles E. Harris and Associates, Inc.
June 1, 2016

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA 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 - Material Weakness

During 2015 and 2014, the Village erroneously recorded numerous transactions. The more significant adjustments are as follows:

- Sales of two trucks were recorded as miscellaneous instead of Sale of Capital Asset.
- Homestead and Rollback receipts were recorded as Property and Other Local Taxes instead of Intergovernmental receipts.

Adjustments were made in the financial statements and the Village's records to reflect the proper presentation.

The Ohio Village Handbook and the UAN manual provide suggested account classifications. These accounts classify receipts and disbursements by fund and account. Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

We recommend that the Village refer to the Ohio Village Handbook and the UAN manual to properly classify its transactions.

Management Response:

We cannot go back and correct them. We are aware and have started fixing these issues in 2016.

Finding Number 2015-002 – Significant Deficiency

Mayor Court Bank Reconciliations

Performing accurate and timely reconciliations of bank accounts with Mayor's Court books is a necessary control procedure to adequately safeguard cash and to provide assurance that court receipts and disbursements are complete.

Although monthly reconciliations are being prepared, the Mayor's Court has been unable to resolve variances that have existed for several years. The Mayor's Court prepares a bank to book reconciliation each month that should agree to its cash on hand balance.

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA 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 2015-002 – Significant Deficiency (continued)

Mayor Court Bank Reconciliations (continued)

Further, the bank to book reconciliations examined included poorly documented supporting records. For example, the December 2015 reconciliation included open items in the amount of \$5,565 that should have been distributed to the County and or municipal indigent drivers alcohol treatment fund without an explanation supporting the edits.

Failure to prepare timely and accurate bank to book reconciliations including the failure to correct errors in a timely manner increases the likelihood that errors or irregularities (including theft) may occur and not be detected by management in a timely manner.

To increase control and accountability over Mayor’s Court receipts and disbursements we recommend the following:

- Formalize the reconciliation process. This should include written policies and procedures.
- Obtain on-site training for those responsible for preparing and monitoring reconciliations utilizing real time data using the Mayor’s Court computer environment.
- Document examples of various reconciling issues (i.e. bad checks, bad check fees, voided checks, reinstated/reissued checks, unclaimed checks) and how to properly account for them in the bank reconciliation and in the Courts’ accounting system.
- Identify and correct bank or book errors in a timely manner (i.e. within a month).
- Identify who has the authority to post and approve Court bank and accounting system adjustments.

Management and those charged with governance should consider the cost benefit relationship of investigating consistent reoccurring unidentified variances on its reconciliations versus adjusting the bank accounts or accounting system for these unidentified variances. Evidence of such analysis and decision should clearly be documented before adjustments, if any, are made. Assistance should be obtained to prepare accurate and timely bank to book reconciliations. Someone other than the preparer should review and approve the bank to book reconciliations. Evidence of this should be documented on the reconciliation (i.e. initials and date).

Management Response:

The Mayor’s Court Clerk became aware of the issue and is working to resolve the matter regarding unidentified variances and open items.

**VILLAGE OF WASHINGTONVILLE
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

The prior audit report, for the years ending December 31, 2013 and 2012, reported no material citations or recommendations.

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Dave Yost • Auditor of State

VILLAGE OF WASHINGTONVILLE

COLUMBIANA 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
SEPTEMBER 6, 2016