

Village of McArthur
Vinton County
Regular Audit
For the Years Ended December 31, 2015 and 2014



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Dave Yost • Auditor of State

Village Council
Village of McArthur
124 West Main Street
McArthur, Ohio 45651

We have reviewed the *Independent Auditor's Report* of the Village of McArthur, Vinton County, prepared by Millhuff-Stang, CPA, 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 McArthur is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 18, 2017

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Village of McArthur
Vinton County
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Independent Auditor's Report

Village Council
Village of McArthur
Vinton County
124 West Main Street
McArthur, Ohio 45651

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 McArthur, Vinton 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 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.

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 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 McArthur, Vinton 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 November 11, 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.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

November 11, 2016

Village of McArthur
Vinton 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

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$99,366	\$234,975	\$334,341
Intergovernmental	78,864	151,880	230,744
Charges for Services	0	90,224	90,224
Fines, Licenses and Permits	11,332	3,285	14,617
Earnings on Investments	815	117	932
Miscellaneous	21,455	59,362	80,817
Total Cash Receipts	211,832	539,843	751,675
Cash Disbursements:			
Current:			
Security of Persons and Property	19,331	286,554	305,885
Public Health Services	379	0	379
Leisure Time Activities	0	32,892	32,892
Transportation	0	154,540	154,540
General Government	130,315	6,124	136,439
Capital Outlay	0	101,184	101,184
Total Cash Disbursements	150,025	581,294	731,319
Excess of Receipts Over (Under) Disbursements	61,807	(41,451)	20,356
Other Financing Receipts/(Disbursements):			
Advances Out	(5,000)	0	(5,000)
Advances In	0	5,000	5,000
Other Financing Sources	1,738	1	1,739
Other Financing Uses	(16)	(2,328)	(2,344)
Total Other Financing Receipts/(Disbursements)	(3,278)	2,673	(605)
Net Change in Fund Cash Balances	58,529	(38,778)	19,751
Fund Cash Balances, January 1	272,012	355,835	627,847
Fund Cash Balances, December 31:			
Nonspendable	549	0	549
Restricted			
Drug and Alcohol Education and Enforcement	0	4,084	4,084
Economic Development	0	17,923	17,923
Fire Operations	0	193,190	193,190
Park Maintenance and Operations	0	9,612	9,612
Police Operations	0	13,583	13,583
Recreational Operations and Supplies	0	1,797	1,797
State Highways Operations and Maintenance	0	24,062	24,062
Street Department of Operations	0	42,483	42,483
Committed to Recreation Programs	0	10,323	10,323
Unassigned	329,992	0	329,992
Fund Cash Balances, December 31	\$330,541	\$317,057	\$647,598

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

Village of McArthur
Vinton 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

	Proprietary Fund Type	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$450,922	\$0	\$450,922
Miscellaneous	120	0	120
Total Cash Receipts	451,042	0	451,042
Operating Cash Disbursements:			
Personal Services	136,477	0	136,477
Employee Fringe Benefits	64,806	0	64,806
Contractual Services	133,158	0	133,158
Supplies and Materials	32,492	0	32,492
Other	166	0	166
Total Cash Disbursements	367,099	0	367,099
Operating Income/(Loss)	83,943	0	83,943
Non-Operating Cash Receipts:			
Other Financing Sources	5,505	0	5,505
Other Non-Operating Receipts	0	10,517	10,517
Total Non-Operating Cash Receipts	5,505	10,517	16,022
Non-Operating Cash Disbursements:			
Redemption of Principal	4,382	0	4,382
Interest and Other Fiscal Charges	2,988	0	2,988
Other Non-Operating Disbursements	0	12,075	12,075
Total Non-Operating Cash Disbursements	7,370	12,075	19,445
Net Change in Fund Cash Balances	82,078	(1,558)	80,520
Fund Cash Balances, January 1	331,907	1,842	333,749
Fund Cash Balances, December 31	\$413,985	\$284	\$414,269

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

Village of McArthur
Vinton 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

	General Fund	Special Revenue Funds	Capital Projects Funds	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$103,484	\$235,327	\$0	\$338,811
Intergovernmental	78,951	141,916	137,210	358,077
Charges for Services	0	86,492	0	86,492
Fines, Licenses and Permits	17,830	0	0	17,830
Earnings on Investments	729	174	0	903
Miscellaneous	18,845	15,540	0	34,385
Total Cash Receipts	219,839	479,449	137,210	836,498
Cash Disbursements:				
Current:				
Security of Persons and Property	11,129	286,072	0	297,201
Public Health Services	440	0	0	440
Leisure Time Activities	0	25,430	0	25,430
Basic Utility Services	0	310	0	310
Transportation	0	158,677	0	158,677
General Government	124,417	6,939	0	131,356
Capital Outlay	0	0	137,210	137,210
Debt Service:				
Principal Payment	0	1,175	0	1,175
Interest and Fiscal Charges	0	63	0	63
Total Cash Disbursements	135,986	478,666	137,210	751,862
Excess of Receipts Over (Under) Disbursements	83,853	783	0	84,636
Other Financing Receipts/(Disbursements):				
Advances Out	0	(5,000)	0	(5,000)
Advances In	5,000	0	0	5,000
Transfers Out	(5,000)	0	0	(5,000)
Transfers In	0	5,000	0	5,000
Other Financing Sources	2,602	8,520	0	11,122
Other Financing Uses	(19)	(157)	0	(176)
Total Other Financing Receipts/(Disbursements)	2,583	8,363	0	10,946
Net Change in Fund Cash Balances	86,436	9,146	0	95,582
Fund Cash Balances, January 1	185,576	346,689	0	532,265
Fund Cash Balances, December 31:				
Restricted				
Drug and Alcohol Education and Enforcement	0	865	0	865
Economic Development	0	18,248	0	18,248
Fire Operations	0	192,223	0	192,223
Park Maintenance and Operations	0	11,580	0	11,580
Police Operations	0	28,934	0	28,934
Recreational Operations and Supplies	0	2,367	0	2,367
State Highways Operations and Maintenance	0	37,861	0	37,861
Street Department of Operations	0	59,037	0	59,037
Committed to Recreation Programs	0	4,720	0	4,720
Unassigned	272,012	0	0	272,012
Fund Cash Balances, December 31	\$272,012	\$355,835	\$0	\$627,847

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

Village of McArthur
Vinton 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

	Proprietary Fund Type	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$452,085	\$0	\$452,085
Miscellaneous	110	0	110
Total Cash Receipts	452,195	0	452,195
Operating Cash Disbursements:			
Personal Services	139,236	0	139,236
Employee Fringe Benefits	50,175	0	50,175
Contractual Services	99,201	0	99,201
Supplies and Materials	43,055	0	43,055
Capital Outlay	36	0	36
Total Cash Disbursements	331,703	0	331,703
Operating Income/(Loss)	120,492	0	120,492
Non-Operating Cash Receipts:			
Other Financing Sources	4,681	0	4,681
Other Non-Operating Receipts	0	23,010	23,010
Total Non-Operating Cash Receipts	4,681	23,010	27,691
Non-Operating Cash Disbursements:			
Redemption of Principal	4,207	0	4,207
Interest and Other Fiscal Charges	3,163	0	3,163
Other Non-Operating Cash Disbursements	0	21,949	21,949
Total Non-Operating Cash Disbursements	7,370	21,949	29,319
Net Change in Fund Cash Balances	117,803	1,061	118,864
Fund Cash Balances, January 1	214,104	781	214,885
Fund Cash Balances, December 31	<u>\$331,907</u>	<u>\$1,842</u>	<u>\$333,749</u>

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

Village of McArthur
Vinton County
Notes to the Financial Statements
For the Years Ended 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 McArthur, Vinton County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, street maintenance, park operations, and police and fire services.

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

B. Basis of Accounting

Basis of Accounting

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

These statements adequately disclose material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Village invests all available funds in interest-bearing checking and savings accounts.

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 from 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 and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Police Levy Fund- This fund receives property tax money to provide police protection.

Fire Levy Fund -This fund receives property tax money and contractual charges for services to provide fire protection.

Village of McArthur
Vinton County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

3. Capital Projects Funds

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

Other Capital Projects Fund– This fund received an OPWC grant for a street paving project.

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.

5. Fiduciary Funds (Agency Fund)

Fiduciary funds include agency funds. 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 government. The Village's agency fund accounts for the financial activity of the Mayor's Court.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

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

Village of McArthur
Vinton County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

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.

3. Committed

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

4. Assigned

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

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.

Village of McArthur
Vinton County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

2. EQUITY IN POOLED CASH

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

	2015	2014
Demand Deposits	\$1,061,867	\$961,596

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$192,400	\$213,570	\$21,170
Special Revenue	467,757	539,844	72,087
Enterprise	480,084	456,547	(23,537)
Total	\$1,140,241	\$1,209,961	\$69,720

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$126,904	\$150,041	(\$23,137)
Special Revenue	520,980	583,622	(62,642)
Enterprise	480,084	374,469	105,615
Total	\$1,127,968	\$1,108,132	\$19,836

Budgetary activity for the year ending December 31, 2014 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$192,400	\$222,441	\$30,041
Special Revenue	443,906	492,969	49,063
Capital Projects	0	137,210	137,210
Enterprise	482,715	456,876	(25,839)
Total	\$1,119,021	\$1,309,496	\$190,475

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,208	\$141,005	\$8,203
Special Revenue	509,127	478,823	30,304
Capital Projects	0	137,210	(137,210)
Enterprise	484,642	339,073	145,569
Total	\$1,142,977	\$1,096,111	\$46,866

Village of McArthur
Vinton County
Notes to the Financial Statements
For the Years Ended 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 Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

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

5. DEBT

Long-term debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4682	\$69,224	4.12%
Total	\$69,224	

The Ohio Water Development Authority (OWDA) loan (#4682) relates to a water meter project. The OWDA approved up to \$100,000 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$3,694, including interest, over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

On June 3, 2008, the Village issued a note in the amount of \$9,273 for the purpose of purchasing a mower. The note requires annual payments of \$1,177, including interest, over 10 years. The note is a general obligation note and is collateralized by the full faith and credit of the Village. This note was paid in full during 2014.

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

Year Ending December 31:	OWDA Loan #4682
2016	\$7,369
2017	7,369
2018	7,369
2019	7,369
2020	7,369
2021-2025	36,847
2026-2027	14,739
Total	\$88,431

Village of McArthur
Vinton County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

6. RETIREMENT SYSTEMS

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015, OP&F members contributed 11.5 percent of their wages from January 1, 2015 through June 30, 2015 and 12.25 percent of their wages from July 1, 2015 through December 31, 2015. For 2014, OP&F members contributed 10.75 percent of their wages from January 1, 2014 through June 30, 2014 and 11.5 percent of their wages from July 1, 2014 through December 31, 2014. The Village contributed an amount equal to 19.5 percent of participants' gross salaries. For 2015 and 2014, OPERS members contributed 10 percent of their wages. The Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. CONTINGENT LIABILITIES

The Village is not currently party to litigation.

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.

9. COMPLIANCE

The Village did not properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D).

Contrary to Ohio Revised Code 5705.41(B), the Village had expenditures in excess of appropriations in 2015 and 2014.

Contrary to Ohio Revised Code 5705.39, the Village had appropriations in excess of estimated resources in 2014.

Contrary to Ohio Revised Code 5705.36(A)(2), the Village had appropriations in excess of available resources in 2015 and 2014.

Contrary to Ohio Revised Code 1905.21, the Village did not keep a complete docket, cashbook and case files in 2015 and 2014.

Contrary to Ohio Revised Code 117.38, the Village did not timely file their financial reports.

Village of McArthur
Vinton County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

10. SUBSEQUENT EVENTS

On March 31, 2016 the Village entered into an agreement with the Ohio Water Development Authority (OWDA) for a loan (#7270) which relates to the replacement of an undersized water main. The total amount financed for this project was \$110,112. The loan will be repaid in semiannual installments of \$3,502, including interest, over 20 years starting on January 1, 2017. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

On August 25, 2016 the Village entered into an agreement with the Ohio Water Development Authority (OWDA) for a loan (#7457) which relates to a water main replacement. The OWDA approved up to \$340,309 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$10,423, including interest, over 20 years starting on January 1, 2018. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Village Council
Village of McArthur
Vinton County
124 West Main Street
McArthur, Ohio 45651

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Village of McArthur, Vinton County (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 11, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2015-001 and 2015-003 that we consider to be material weaknesses.

Village of McArthur
Vinton County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-002 and 2015-004 through 2015-008.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

November 11, 2016

Village of McArthur
Vinton County
Schedule of Findings and Responses
For the Years Ended 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 – Financial Reporting

A monitoring system by the Village should be in place to prevent or detect misstatements for the accurate presentation of the Village's financial statements. Various adjustments were required in order to properly present receipts, disbursements, and fund balances. These misclassifications and misstatements were corrected in the accompanying financial statements. The Village should implement additional monitoring procedures to ensure transactions are properly recorded and classified.

Client Response:

Will be corrected and will ensure this is completed in the future.

Finding Number 2015-002

Noncompliance – Prior Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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. The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing her certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of a "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 taxing authority.

Several disbursements tested had invoice dates preceding encumbrance dates. Failure to certify the availability of funds properly can result in overspending funds and negative fund balances. The Village should implement budgetary monitoring procedures to ensure that funds are properly and timely encumbered prior to commitment.

Client Response:

It was due to oversight. Will watch closely in the future.

Village of McArthur
Vinton County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

Finding Number 2015-003

Material Weakness – Budgetary Information Within Accounting System

Accurate budgetary information within the Village's accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. Variances were noted in both 2015 and 2014 between estimated resources and appropriations approved by Council and filed with the County and the amounts recorded within the Village's accounting system. Failure to properly maintain budget information within the accounting system could result in adverse implications as decisions by management and Council may be based on this misinformation. The Village should implement the appropriate procedures, such as periodic comparison of authorized budgetary documents to the accounting system, to ensure budgetary information is accurate, complete, and current.

Client Response:

We will ensure we obtain amended certificates before appropriating and spending.

Finding Number 2015-004

Noncompliance Citation – Ohio Revised Code Section 5705.41(B)

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations in 2015 and 2014 in various funds. The Village should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized appropriated amounts.

Client Response:

We will oversee more closely and in the future.

Finding Number 2015-005

Noncompliance Citation – Ohio Revised Code Section 5705.39(B)

Ohio Revised Code Section 5705.39(B) states that total appropriations from each fund shall not exceed the total estimated resources. The Village had appropriations in excess of estimated resources in the Water Meters Fund and Sewer Operating Fund in 2014. The Village should implement the appropriate procedures, such as periodic comparisons of estimated resources to appropriations, to ensure that appropriations are limited to estimated resources to ensure improper spending does not occur.

Client Response:

The Fiscal Officer budgets based on the BPA budget that is submitted and Council approves.

Village of McArthur
Vinton County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

Finding Number 2015-006

Noncompliance Citation – Ohio Revised Code Section 5705.36(A)(2)

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The Village had appropriations in excess of available resources in the Federal Grant Fund and Other Agency Fund for 2014 and the Federal Grant Fund and Indigent Fund for 2015. The Village should implement additional monitoring procedures to ensure appropriations are within available sources.

Client Response:

These are always reduced at the end of year.

Finding Number 2015-007

Noncompliance Citation – Mayor’s Court

Ohio Revised Code Section 1905.21 states that the mayor of a municipal corporation and a mayor’s court magistrate shall keep a docket. The mayor or mayor’s court magistrate shall account for and dispose of all such fines, forfeitures, fees, and costs collected. Ohio Revised Code Section 733.40 states that all moneys collected shall be paid by the mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the Village.

The magistrate did not keep a complete docket or cash book and two case files selected for testing could not be located; furthermore the required monthly reports were given to Council but they did not reflect disbursement amounts to the Village or to the State.

The Village should maintain a complete and accurate docket, cashbook and case files. The magistrate should account for all moneys collected and remit them timely to the treasurer. Furthermore, all Mayor’s Court receipts should be recorded on the Mayor’s Court books before being distributed to other entities.

Client Response:

The Fiscal Officer began getting overwhelmed with the work load of Mayor’s Court. Fiscal Officer has things back on track and will be in the future.

Finding Number 2015-008

Noncompliance Citation – Ohio Revised Code Section 117.38

Per Ohio Revised Code Section 117.38, entities filing on a cash-basis must file annual reports with the Auditor of State within 60 days of the fiscal year-end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office.

The Village had a due date for its 2015 report of February 29, 2016. However, the Village did not file its 2015 report until April 4, 2016. The Village should implement procedures to ensure that the report is filed by the required date.

Village of McArthur
Vinton County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

Finding Number 2015-008 (Continued)

Noncompliance Citation – Ohio Revised Code Section 117.38 (Continued)

Client Response:

Report was mailed in mid-February and the Auditor of State contacted the Village in April to submit report via the new Hinkle system.

Village of McArthur
Vinton County
Schedule of Prior Audit Findings
For the Years Ended 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>
Finding 2013-1	Material Weakness – Financial Reporting	No	Reissued as Finding 2015-001
Finding 2013-2	Noncompliance – Prior Encumbrance of Funds	No	Reissued as Finding 2015-002
Finding 2013-3	Material Weakness – Budgetary Information Within Accounting System	No	Reissued as Finding 2015-003
Finding 2013-4	Noncompliance Citation – Ohio Revised Code Section 5705.41(B)	No	Reissued as Finding 2015-004



Dave Yost • Auditor of State

VILLAGE OF MCARTHUR

VINTON 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
JANUARY 31, 2017