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740.373.0056

1907 Grand Central Avenue
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St. Clairsville, OH 43950
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Certified Public Accountants, A.C.

**VILLAGE OF SHILOH
RICHLAND COUNTY
Regular Audit**

For the Years Ended December 31, 2015 and 2014

www.perrycpas.com

...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Shiloh
13 West Main Street
Shiloh, Ohio 44878

We have reviewed the *Independent Auditor's Report* of the Village of Shiloh, Richland County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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 Shiloh is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 15, 2017

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VILLAGE OF SHILOH
RICHLAND COUNTY

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INDEPENDENT AUDITOR'S REPORT

January 13, 2017

Village of Shiloh
Richland County
13 West Main Street
Shiloh, OH 45878

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 Shiloh**, Richland 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.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B 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 *Qualified 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.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The accompanying financial statements presents receipts and disbursements by fund types only. Ohio Administrative Code Section 117-2-02(A) requires Villages to classify receipts and disbursement transactions.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly the combined cash balances of the Village of Shiloh, Richland County, as of December 31, 2015 and 2014, and its combined unclassified cash receipts and unclassified 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2017, 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF SHILOH
RICHLAND COUNTY**

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

| | <u>General</u> | <u>Special Revenue</u> | <u>Totals (Memorandum Only)</u> |
|---|------------------|----------------------------|---|
| Cash Receipts | | | |
| Cash Receipts | \$ 74,243 | \$ 41,525 | \$ 115,768 |
| <i>Total Cash Receipts</i> | <u>74,243</u> | <u>41,525</u> | <u>115,768</u> |
| Cash Disbursements | | | |
| Cash Disbursements | 96,957 | 26,127 | 123,084 |
| <i>Total Cash Disbursements</i> | <u>96,957</u> | <u>26,127</u> | <u>123,084</u> |
| <i>Net Change in Fund Cash Balances</i> | (22,714) | 15,398 | (7,316) |
| <i>Fund Cash Balances, January 1</i> | <u>74,056</u> | <u>46,495</u> | <u>120,551</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 61,893 | 61,893 |
| Unassigned | 51,342 | - | 51,342 |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 51,342</u> | <u>\$ 61,893</u> | <u>\$ 113,235</u> |

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

**VILLAGE OF SHILOH
RICHLAND COUNTY**

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

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|---|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts | | | |
| Cash Receipts | <u>\$ 892,521</u> | <u>\$ 5,912</u> | <u>\$ 898,433</u> |
| <i>Total Operating Receipts</i> | <u>892,521</u> | <u>5,912</u> | <u>898,433</u> |
| Operating Cash Disbursements | | | |
| Cash Disbursements | <u>947,051</u> | <u>6,072</u> | <u>953,123</u> |
| <i>Total Operating Cash Disbursements</i> | <u>947,051</u> | <u>6,072</u> | <u>953,123</u> |
| <i>Net Change in Fund Cash Balances</i> | (54,530) | (160) | (54,690) |
| <i>Fund Cash Balances, January 1</i> | <u>434,523</u> | <u>4,660</u> | <u>439,183</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$ 379,993</u></u> | <u><u>\$ 4,500</u></u> | <u><u>\$ 384,493</u></u> |

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

**VILLAGE OF SHILOH
RICHLAND COUNTY**

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

| | General | Special Revenue | Totals (Memorandum Only) |
|---|----------------|----------------------------|---|
| Cash Receipts | | | |
| Cash Receipts | \$ 80,879 | \$ 43,734 | \$ 124,613 |
| <i>Total Cash Receipts</i> | 80,879 | 43,734 | 124,613 |
| Cash Disbursements | | | |
| Cash Disbursements | 118,715 | 29,402 | 148,117 |
| <i>Total Cash Disbursements</i> | 118,715 | 29,402 | 148,117 |
| <i>Net Change in Fund Cash Balances</i> | (37,836) | 14,332 | (23,504) |
| <i>Fund Cash Balances, January 1</i> | 111,892 | 32,163 | 144,055 |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 46,518 | 46,518 |
| Unassigned | 74,056 | (23) | 74,033 |
| <i>Fund Cash Balances, December 31</i> | \$ 74,056 | \$ 46,495 | \$ 120,551 |

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

VILLAGE OF SHILOH
 RICHLAND COUNTY

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

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts | | | |
| Cash Receipts | \$ 853,491 | \$ 9,608 | \$ 863,099 |
| <i>Total Operating Receipts</i> | <u>853,491</u> | <u>9,608</u> | <u>863,099</u> |
| Operating Cash Disbursements | | | |
| Cash Disbursements | 951,730 | 9,954 | 961,684 |
| <i>Total Operating Cash Disbursements</i> | <u>951,730</u> | <u>9,954</u> | <u>961,684</u> |
| <i>Net Change in Fund Cash Balances</i> | (98,239) | (346) | (98,585) |
| <i>Fund Cash Balances, January 1 (Restated - See Note 9)</i> | <u>532,762</u> | <u>5,006</u> | <u>537,768</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 434,523</u> | <u>\$ 4,660</u> | <u>\$ 439,183</u> |

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

**VILLAGE OF SHILOH
RICHLAND COUNTY**

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

Note 1 - Reporting Entity

The Village of Shiloh (the Village), Richland County, 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. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and electrical utilities. The Village contracts with the Richland County Sheriff's Department to provide security of persons and property.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund This fund receives charges for services from residents to cover electric service costs.

VILLAGE OF SHILOH
RICHLAND COUNTY

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 government. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Village did not classify its receipts and disbursements for 2015 and 2014. This is a material departure from the requirements of Ohio Administrative Code Section 117-2-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

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.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain 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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered. The Village did not encumber all commitments required by Ohio Law.

A summary of 2015 and 2014 budgetary activity appears in Note 4.

VILLAGE OF SHILOH
RICHLAND COUNTY

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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. Investments in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides NAV per share that approximated fair value.

Capital Assets

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

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.

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:

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

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.

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.

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.

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.

**VILLAGE OF SHILOH
RICHLAND COUNTY**

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

Note 3 - Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Water, Sewer, and Utility Surplus funds by \$34,330, \$12,806, and \$9,424 for the year ended December 31, 2015. Appropriations exceeded estimated resources in the General, Street Construction Maintenance and Repair, Permissive Sales Tax, Water, Sewer, Electric, Utility Deposits, Garbage, and Storm Sewer funds by \$974, \$164, \$36, \$165, \$2,531, \$15,014, \$300, \$1,938, and \$408 for the year ended December 31, 2014. Also contrary to Ohio law, expenditures exceeded appropriations in the Water and Sewer funds by \$28,609 and \$4,691 for the year ended December 31, 2015.

Note 4 - Budgetary Activity

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

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 147,001 | \$ 74,243 | \$ (72,758) |
| Special Revenue | 100,995 | 41,525 | (59,470) |
| Enterprise | 764,500 | 892,521 | 128,021 |
| Total | \$ 1,012,496 | \$ 1,008,289 | \$ (4,207) |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 146,235 | \$ 96,957 | \$ 49,278 |
| Special Revenue | 99,180 | 26,127 | 73,053 |
| Enterprise | 1,239,505 | 947,051 | 292,454 |
| Total | \$ 1,484,920 | \$ 1,070,135 | \$ 414,785 |

| 2014 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|--------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 182,259 | \$ 80,879 | \$ (101,380) |
| Special Revenue | 85,622 | 43,734 | (41,888) |
| Enterprise | 1,263,388 | 853,491 | (409,897) |
| Total | \$ 1,531,269 | \$ 978,104 | \$ (553,165) |

| 2014 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 183,233 | \$ 118,770 | \$ 64,463 |
| Special Revenue | 85,822 | 29,402 | 56,420 |
| Enterprise | 1,281,112 | 951,730 | 329,382 |
| Total | \$ 1,550,167 | \$ 1,099,902 | \$ 450,265 |

**VILLAGE OF SHILOH
RICHLAND COUNTY**

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

Note 5 – 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 | \$ 140,869 | \$ 203,682 |
| Certificates of deposit | 342,486 | 341,694 |
| Total deposits | 483,355 | 545,376 |
| STAR Ohio | 14,373 | 14,358 |
| Total investments | 14,373 | 14,358 |
| Total deposits and investments | \$ 497,728 | \$ 559,734 |

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

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 6 – Taxes

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 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.

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

Note 7 - Risk Management

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

Pursuant to 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 coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF SHILOH
RICHLAND COUNTY**

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

Note 7 - Risk Management (Continued)

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

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

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

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

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

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

Note 8 – Debt

Debt outstanding at December 31, 2015 was as follows:

| | Principal | Interest Rate |
|--------------------------|--------------|---------------|
| USDA Loan | \$ 149,200 | 5.00% |
| OPWC Loan | 195,000 | 0.00% |
| OWDA Loan #4597 | 545,948 | 2.00% |
| OWDA Loan #5351 | 33,718 | 0.00% |
| OWDA Loan #6960 | 255,936 | 1.15% |
| Citizens Bank Loan #9635 | 158,618 | 3.45% |
| Citizens Bank Loan #9506 | 12,233 | 3.78% |
| Total | \$ 1,350,653 | |

The USDA (United States Department of Agriculture) Loan relates to a sewer project. The USDA has approved \$245,000 in loans to the Village for this project. The loan includes interest (5.00%) and will be paid in variable annual installments over 40 years. The loan is collateralized by sewer receipts.

**VILLAGE OF SHILOH
RICHLAND COUNTY**

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

Note 8 – Debt (Continued)

The Ohio Water Development Authority (OWDA) Loan #4597 relates to the construction of the new water treatment facility. OWDA approved \$705,059 for the loan to be paid over 30 years. The loan will be repaid in semi-annual payments of \$15,683 with an interest rate of 2.00%.

The Ohio Water Development Authority (OWDA) Loan #5351 relates to the Sanitary Sewer & Manhole Rehabilitation. OWDA approved \$227,631. OWDA previously granted the Village a \$170,723 ARRA principal reduction grant with a 0% interest rate.

The Ohio Water Development Authority (OWDA) Loan #6960 relates to a waterline replacement. OWDA approved \$396,983. The Village is still drawing on the loan; therefore, an amortization schedule is not available.

The Citizens Bank Loan (#9635) refinanced the AMP-Ohio Loan. The Village has \$3,800 debited from their account monthly. According to the amortization schedule, the Village is supposed to pay principal of \$2,667 plus 3.45% interest monthly over 10 years. However, their accelerated principal payments will reduce the length of the loan. Therefore, no amortization schedule is included. The loan is collateralized by electric deposits.

The Citizens Bank Loan (#9506) relates to a truck for the Street Department. The Village received the cab and chassis in 2011. A plow, salt spreader, body and accessories was added bringing the total loan amount to \$68,660. An amortization schedule is not available. The loan will be paid from the General Fund, Water Fund, Sewer Fund and Electric Fund. The interest rate on this loan is 3.78%.

The Ohio Public Works Commission (OPWC) Loan #CP04J relates to construction at the water plant. The loan was issued in 2009 in the amount of \$300,000. The loan will be repaid in semi-annual payments of \$7,500 over 20 years. There is no interest on this loan.

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

| Year ending December 31: | USDA Loan | OPWC Loan | OWDA Loan #4597 | OWDA Loan # 5351 |
|-----------------------------|-------------------|-------------------|--------------------|---------------------|
| 2016 | \$ 14,360 | \$ 15,000 | \$ 31,367 | \$ 2,409 |
| 2017 | 14,415 | 15,000 | 31,367 | 2,409 |
| 2018 | 14,350 | 15,000 | 31,367 | 2,409 |
| 2019 | 14,370 | 15,000 | 31,367 | 2,409 |
| 2020 | 14,370 | 15,000 | 31,367 | 2,409 |
| 2021-2025 | 71,815 | 75,000 | 156,837 | 12,043 |
| 2026-2031 | 71,950 | 45,000 | 156,837 | 9,630 |
| 2031-2036 | - | - | 156,837 | - |
| 2037-2042 | - | - | 31,367 | - |
| Total | <u>\$ 215,630</u> | <u>\$ 195,000</u> | <u>\$ 658,713</u> | <u>\$ 33,718</u> |

**VILLAGE OF SHILOH
RICHLAND COUNTY**

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

Note 8 – Debt (Continued)

A. The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 500 kilowatts of a total 771,281 kilowatts, giving the Village a 0.06 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$87,095. The Village received a credit of \$9,672 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$22,612 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$54,811. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. Since March 31, 2014 the Village has made no payments to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$664 and interest expense incurred on AMP's line-of-credit of \$813, resulting in a net impaired cost estimate at December 31, 2015 of \$56,288.

B. AMP Fremont Energy Center (AFEC) (87 members)

On February 3, 2011 American Municipal Power, Inc. (AMP) entered into a non-binding memorandum of understanding (MOU) with First Energy Corp. regarding the Fremont Energy Center ("AFEC"). AFEC is a 707 MW natural gas fired combined cycle generation plant with a Base Capacity of 512 MW, located near the city of Fremont, Ohio. The closing date to purchase was July 28, 2011. AMP's acquisition of the plant was financed with draws on an additional line of credit for \$600,000,000 secured solely for the purpose of purchasing the plant.

To provide permanent financing for the AFEC Project on June 29, 2012 AMP issued in two series \$546,085,000 of its AMP Fremont Center Project Revenue Bonds consisting of taxable and tax-exempt obligations to (i) with other available funds, to repay the \$600,000,000 principal amount of an interim loan that financed the acquisition of the AMP Fremont Energy Center ("AFEC") and development costs and completion of construction and commissioning of AFEC; (ii) to make deposits to the Construction Accounts under the Indenture to finance additional capital expenditures allocable to AMP's 90.69% undivided ownership interest in AFEC; (iii) to fund deposits to certain reserve accounts; and (iv) to pay the costs of issuance of the Series 2012 Bonds.

On January 21, 2012 the AMP Fremont Energy Center ("AFEC") began commercial operation. The total cost of construction of the AFEC at the date it was placed in service was \$582,200,642. This amount included a development fee of \$35,535,448 paid by AFEC participants for the account of AMP Generating Station participants who are also AFEC participants. The amount was previously recorded as a noncurrent regulatory asset at December 31, 2011. In June 2012, AMP sold 26.419 MW or 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency ("MPPA") and entered into a power sales contract with Central Virginia Electric Cooperative ("CVEC") for the output of a 21.248 MW or 4.15% interest in AFEC. AMP has sold the output of the remaining 464.355 MW or 90.69% interest to the AFEC participants, which consist of 87 of its members, pursuant to a take-or-pay power sales contract.

**VILLAGE OF SHILOH
RICHLAND COUNTY**

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

Note 8 – Debt (Continued)

B. AMP Fremont Energy Center (AFEC) (87 members) (Continued)

The Village of Shiloh has executed a take-or-pay power sales contract with AMP for a Project Share of 90 kW or 0.02% of capacity and associated energy from the AFEC facility. As of December 31, 2015 the outstanding debt associated with AFEC Project on AMP's books was \$529,225,000.

C. Combined Hydroelectric Projects (79 Members)

AMP is currently developing three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the "Combined Hydroelectric Projects"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects entails the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers' dams and includes associated transmission facilities. The Combined Hydroelectric Projects, including associated transmission facilities, will be constructed and operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Projects. AMP received the last of the material permits needed to begin construction on the Cannelton hydroelectric facility and Smithland hydroelectric facility, respectively in 2009. Ground breaking ceremonies were held for Cannelton on August 25, 2009 and for Smithland on September 1, 2010. AMP received the last of the material permits for the Willow Island hydroelectric facility in the last quarter of 2010 and ground breaking ceremonies took place on July 21, 2011.

The Village of Shiloh has executed a take-or-pay power sales contract with AMP for a Project Share of 100 kW or 0.05% of capacity and associated energy from the hydro facilities.

All major contracts for the projects which include the turbines, the powerhouse construction, the powerhouse gates, the powerhouse cranes, and the transformers have been awarded for the Cannelton, Smithland, and Willow Island facilities. And property right-of-way acquisitions for the transmission lines have been completed for all three projects.

On February 12, 2015, AMP reached agreement with Barnard Construction Company, Inc. ("Barnard") to serve as the replacement powerhouse contractor on AMP's Smithland Hydroelectric Project ("Smithland Project"), which is one of the three projects constituting the Combined Hydroelectric Projects replacing C.J. Mahan whose contract was terminated by mutual agreement between AMP and C.J. Mahan. Barnard is a highly experienced hydropower construction contractor. AMP and Barnard are working together to achieve an orderly transition of the Smithland Project from the prior powerhouse contractor. Nearly all of the subcontractors currently working on the Smithland Project have been retained. The Project Engineer, MWH Americas, Inc., all owner furnished equipment suppliers and all other prime contractors remain in place.

D. Prairie State Energy Campus (68 Members)

On December 20, 2007, AMP acquired 368,000kW or an effective 23.26% undivided ownership interest (the "PSEC Ownership Interest") in the Prairie State Energy Campus ("PSEC"), a planned 1,600 MW coal-fired power plant and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("AMP 368 LLC"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007.

VILLAGE OF SHILOH
RICHLAND COUNTY

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

Note 8 – Debt (Continued)

D. Prairie State Energy Campus (68 Members) (Continued)

On June 12, 2012, Unit 1 of the PSEC began commercial operation and on November 2, 2012 Unit 2 of the PSEC began commercial operation.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the “Prairie State Power Sales Contract”) with 68 Members (the “Prairie State Participants”). The Prairie State Power Sales Contract is, in all material respects, comparable to the Power Sales Contract for the Project. The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village of Shiloh has executed a take-or-pay power sales contract with AMP for a Project Share of 398 kW or 0.11% kW of capacity and associated energy from the Prairie State facility.

AMP’s share of the total Project costs, including AMP’s share of PSEC capital improvements through 2016, resulted in the issuance by AMP of approximately \$1.697 billion of debt. As of December 31, 2015 the total outstanding Prairie State debt on AMP’s books is approximately \$1,590,590,000. These costs include (i) AMP’s costs of acquisition of its Ownership Interest and its share of the cost of construction of the PSEC, including an allowance for contingencies, (ii) capitalized interest during and after the scheduled in service dates of the two PSEC Units, (iii) costs of issuance associated with both the interim and long-term financing for the Project and (iv) deposits to the Parity Common Reserve Account for the Bonds issued to permanently finance the Project.

Note 9 – Restatement Note

The restatement of the Agency Fund was due to a correction of a prior period error. The bank balance was incorrectly recorded as of December 31, 2013.

| | |
|--|-----------------|
| | Agency Fund |
| Fund Balance at December 31, 2013 | \$ 898 |
| Change in Fund Balance | <u>3,762</u> |
| Adjusted Fund Balance at January 1, 2014 | <u>\$ 4,660</u> |

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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.

**VILLAGE OF SHILOH
RICHLAND COUNTY**

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

Note 10 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.



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

January 13, 2017

Village of Shiloh
Richland County
13 West Main Street
Bradford, OH 45308

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 Shiloh**, Richland 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 January 13, 2017, wherein we qualified our opinion due to the Village not classifying receipts and disbursements. We also 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

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 material weaknesses 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 Entity's financial statements. We consider findings 2015-001 through 2015-005 described in the accompanying schedule of audit findings to be material weaknesses.



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Internal Control Over Financial Reporting (Continued)

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 2015-006 described in the accompanying schedule of audit 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as items 2015-001 and 2015-003 through 2015-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated January 13, 2017.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF SHILOH
RICHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS
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/Noncompliance

Ohio Revised Code Section 117.38 states, in part, cash-basis entities 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 report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not file the 2015 and 2014 Annual Financial Reports (AFR) with the Auditor of State's office in a timely manner.

Also, several errors were noted during our review of the AFR:

- Certain amounts listed on the Annual Financial Report were not correctly classified based on amounts from the Village's accounting system;
- Beginning Fund Balances for the Enterprise Funds in 2015 were recorded incorrectly in the system;
- Total receipts for the Enterprise and Agency Funds in 2015 and 2014 did not reconcile between the accounting system and the AFR;
- Total disbursements for the Enterprise and Agency Funds 2015 and 2014 did not reconcile between the accounting system and the AFR;
- Mayor's Court activity was not properly recorded in the system or to the AFR in 2015 and 2014.
- Debt payments were recorded in 2016 instead of 2015; and
- Mayor's Court cash balance was not properly recorded in the system or to the AFR in 2015 or 2014.

Due to the above issues the financial statements are presented without line item classifications. All adjustments have been made to the Village's accounting system and accompanying financial statements reflect all adjustments.

We recommend the Annual Financial Report be compiled from the Village's accounting system and reconciled upon completion. We also recommend the Village work with its accounting software provider to reconcile the differences between its detailed and summary system reports.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF SHILOH
RICHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-002

Material Weakness

Mayor's Court Reconciliation

The Mayor's Court did not perform proper monthly bank reconciliations. This allowed errors and irregularities to go undetected. Properly prepared and approved bank reconciliations can prevent errors or irregularities from occurring.

The Village should perform bank reconciliations on a regular, monthly basis, and the Mayor should review and approve these reconciliations.

Management's Response – We did not receive a response from officials to this finding

FINDING NUMBER 2015-003

Material Weakness/Noncompliance

Ohio Revised Code Section 733.40 requires, except as otherwise provided in Ohio Revised Code Section 4511.193, all fines, forfeitures, and cost in ordinance cases and all fees collected by the Mayor, or which in any manner come into his or her hands, or which are due to such Mayor or a Marshal, Chief of Police, or other officer of the municipal corporation, any other fees and expenses which have been advanced out of the treasury of the municipal corporation, and all money received by such Mayor for the use of such municipal corporation, shall be paid by Court Clerk into the Village's treasury on the first Monday of each month.

Our review of the Village's Mayor's Court disclosed the following:

- In 2015 and 2014, remittances were not made monthly in a timely manner to the Village.
- In 2015 and 2014, remittances were not made monthly in a timely manner to the State of Ohio.

These weaknesses could allow recording errors and irregularities to occur and remain undetected.

We recommend the Village distribute fines collected by the Village's Mayor's Court to the Village's General Fund and other applicable agencies by the required dates.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF SHILOH
RICHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-004

Material Weakness/Noncompliance

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the District to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During 2015, total appropriations exceeded total estimated resources in the Water, Sewer and Utility Surplus Funds and in 2014 appropriations exceeded total estimated resources in the General, Street Construction and Repair, Permissive Motor Vehicle License Tax, Water, Sewer, Electric, Garbage, Storm Sewer, and Utility Deposits Funds.

The Fiscal Officer and Village Council should monitor appropriations versus estimated resources to help avoid overspending.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2015-005

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in the Water and Sewer Funds in 2015.

We recommend the Village Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF SHILOH
RICHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-006

Significant Deficiency/Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

VILLAGE OF SHILOH
RICHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-006 (Continued)

Significant Deficiency/Noncompliance (Continued)

The Village did not properly certify the availability of funds prior to purchase commitment for 80% of the expenditures tested in 2015 and 100% of the expenditures tested in 2014. There was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures.

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

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF SHILOH
RICHLAND 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> |
|----------------|--|------------------|--|
| 2013-001 | Posting Receipts, Disbursements, Fund Balances | No | Not Corrected; Repeated in finding 2015-001 |
| 2013-002 | Mayor's Court Reconciliations | No | Not Corrected; Repeated as finding 2015-002 |
| 2013-003 | ORC Section 117.38 | No | Not Corrected; Repeated in finding 2015-001 |
| 2013-004 | ORC Section 733.40 | No | Not Corrected; Repeated as finding 2015-003 |
| 2013-005 | ORC Section 5705.41(B) | No | Not Corrected; Repeated as finding 2015-005 |
| 2013-006 | ORC Section 5705.41(D) | No | Not Corrected; Repeated as finding 2015-006 |

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Dave Yost • Auditor of State

VILLAGE OF SHILOH

RICHLAND 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
MARCH 28, 2017