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1310 Market Street, Suite 300
Wheeling, WV 26003
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Certified Public Accountants, A.C.

**VILLAGE OF SYCAMORE
WYANDOT COUNTY
Regular Audit**

For the Years Ended December 31, 2016 and 2015

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Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Sycamore
PO Box 279
Sycamore, OH 44882

We have reviewed the *Independent Auditor's Report* of the Village of Sycamore, Wyandot County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2016. 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 Sycamore is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

June 28, 2017

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VILLAGE OF SYCAMORE
WYANDOT COUNTY

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INDEPENDENT AUDITOR'S REPORT

May 26, 2017

Village of Sycamore
Wyandot County
PO Box 279
Sycamore, OH 44882

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 Sycamore**, Wyandot County, (the Village) as of and for the years ended December 31, 2016 and 2015.

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 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of 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 permitted 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, 2016 and 2015, 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 Sycamore, Wyandot County as of December 31, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 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 SYCAMORE
WYANDOT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 76,992	\$ 16,468	\$ -	\$ 93,460
Municipal Income Tax	176,315	-	-	176,315
Intergovernmental	26,413	76,234	691	103,338
Charges for Services	8,731	124,795	26,992	160,518
Fines, Licenses and Permits	141	-	-	141
Earnings on Investments	798	396	-	1,194
Miscellaneous	-	10,729	-	10,729
<i>Total Cash Receipts</i>	<u>289,390</u>	<u>228,622</u>	<u>27,683</u>	<u>545,695</u>
Cash Disbursements				
Current:				
Security of Persons and Property	31,390	160,525	-	191,915
Leisure Time Activities	743	-	-	743
Community Environment	-	-	53,477	53,477
Transportation	-	54,898	-	54,898
General Government	141,114	928	-	142,042
Debt Service:				
Principal Retirement	-	4,982	14,828	19,810
Interest and Fiscal Charges	-	359	4,881	5,240
<i>Total Cash Disbursements</i>	<u>173,247</u>	<u>221,692</u>	<u>73,186</u>	<u>468,125</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>116,143</u>	<u>6,930</u>	<u>(45,503)</u>	<u>77,570</u>
Other Financing Receipts (Disbursements)				
Sale of Fixed Assets	-	2,587	-	2,587
Transfers In	-	17,552	26,328	43,880
Transfers Out	(52,656)	-	-	(52,656)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(52,656)</u>	<u>20,139</u>	<u>26,328</u>	<u>(6,189)</u>
<i>Net Change in Fund Cash Balances</i>	63,487	27,069	(19,175)	71,381
<i>Fund Cash Balances, January 1</i>	<u>355,730</u>	<u>533,558</u>	<u>43,796</u>	<u>933,084</u>
Fund Cash Balances, December 31				
Restricted	-	560,627	24,621	585,248
Unassigned	419,217	-	-	419,217
<i>Fund Cash Balances, December 31</i>	<u>\$ 419,217</u>	<u>\$ 560,627</u>	<u>\$ 24,621</u>	<u>\$ 1,004,465</u>

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

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,506,220
<i>Total Operating Cash Receipts</i>	1,506,220
Operating Cash Disbursements	
Personal Services	168,483
Employee Fringe Benefits	70,639
Contractual Services	873,046
Supplies and Materials	102,209
Other	6,275
<i>Total Operating Cash Disbursements</i>	1,220,652
<i>Operating Income</i>	285,568
Non-Operating Receipts (Disbursements)	
Intergovernmental	13,641
Capital Outlay	(74,863)
Principal Retirement	(85,029)
Interest and Other Fiscal Charges	(72,598)
Other Financing Uses	(4,750)
<i>Total Non-Operating Receipts (Disbursements)</i>	(223,599)
<i>Income before Transfers</i>	61,969
Transfers In	8,776
<i>Net Change in Fund Cash Balances</i>	70,745
<i>Fund Cash Balances, January 1</i>	665,677
<i>Fund Cash Balances, December 31</i>	\$ 736,422

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

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 66,609	\$ 16,427	\$ -	\$ 83,036
Municipal Income Tax	167,872	-	-	167,872
Intergovernmental	24,702	382,006	-	406,708
Charges for Services	7,789	141,582	27,361	176,732
Fines, Licenses and Permits	165	-	-	165
Earnings on Investments	721	432	-	1,153
Miscellaneous	-	13,120	-	13,120
<i>Total Cash Receipts</i>	<u>267,858</u>	<u>553,567</u>	<u>27,361</u>	<u>848,786</u>
Cash Disbursements				
Current:				
Security of Persons and Property	64,308	95,446	-	159,754
Leisure Time Activities	2,398	-	-	2,398
Community Environment	-	-	18,607	18,607
Transportation	-	372,534	-	372,534
General Government	79,150	743	-	79,893
Debt Service:				
Principal Retirement	-	4,857	14,352	19,209
Interest and Fiscal Charges	-	483	5,357	5,840
<i>Total Cash Disbursements</i>	<u>145,856</u>	<u>474,063</u>	<u>38,316</u>	<u>658,235</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>122,002</u>	<u>79,504</u>	<u>(10,955)</u>	<u>190,551</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	17,584	17,584	35,168
Transfers Out	(49,064)	-	-	(49,064)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(49,064)</u>	<u>17,584</u>	<u>17,584</u>	<u>(13,896)</u>
<i>Net Change in Fund Cash Balances</i>	72,938	97,088	6,629	176,655
<i>Fund Cash Balances, January 1</i>	<u>282,792</u>	<u>436,470</u>	<u>37,167</u>	<u>756,429</u>
Fund Cash Balances, December 31				
Restricted	-	533,558	43,796	577,354
Unassigned	355,730	-	-	355,730
<i>Fund Cash Balances, December 31</i>	<u>\$ 355,730</u>	<u>\$ 533,558</u>	<u>\$ 43,796</u>	<u>\$ 933,084</u>

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

**VILLAGE OF SYCAMORE
WYANDOT COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,247,364
<i>Total Operating Cash Receipts</i>	1,247,364
Operating Cash Disbursements	
Personal Services	168,052
Employee Fringe Benefits	70,553
Contractual Services	757,695
Supplies and Materials	111,035
Other	3,820
<i>Total Operating Cash Disbursements</i>	1,111,155
<i>Operating Income</i>	136,209
Non-Operating Receipts (Disbursements)	
Intergovernmental	94,213
Special Assessments	1,797
Miscellaneous Receipts	1,098
Capital Outlay	(49,915)
Principal Retirement	(84,231)
Interest and Other Fiscal Charges	(61,617)
Other Financing Uses	(83,376)
<i>Total Non-Operating Receipts (Disbursements)</i>	(182,031)
<i>(Loss) before Transfers</i>	(45,822)
Transfers In	13,896
<i>Net Change in Fund Cash Balances</i>	(31,926)
<i>Fund Cash Balances, January 1</i>	697,603
<i>Fund Cash Balances, December 31</i>	\$ 665,677

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

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1 – Reporting Entity

The Village of Sycamore (the Village), Wyandot 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 general governmental services, including water, sewer and electric utilities, swimming pool and park operations and emergency medical services. Beginning in 2016, the Village contracts with Wyandot County Sheriff's department to provide security of persons and property.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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 (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory 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 sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village has the following significant Special Revenue Funds:

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

Fire Fund – The Fire Fund accounts for and reports money from a levy and charges for services to cover the costs of providing fire protection services.

Ambulance Fund – The Ambulance Fund accounts for and reports money from a levy and charges for services to cover the costs of providing emergency medical services.

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Project Funds - These funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

Storm Sewer Fund – The Storm Sewer Fund accounts for and receives charges for services funding to construct storm sewer drains.

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 Operating Fund – The Water Operating Fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Electric Operating Fund – The Electric Operating Fund accounts for the provision of electric distribution to the residents and commercial users located within the Village.

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 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 be budgeted annually.

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. Appropriations lapse at year end.

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

Encumbrances – The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2016 and 2015 budgetary activity appears in Note 4.

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(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.

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 SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 3 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in 2015 in the Permissive Motor Vehicle License, Fire, Water Operating and Sewer Operating Funds.

Contrary to Ohio law, expenditures exceeded appropriations in 2015 in the General, Street Construction, Maintenance and Repair and State Highway Funds.

Contrary to Ohio law, disbursements were not properly encumbered in 2016 and 2015.

Note 4 – Budgetary Activity

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 333,198	\$ 289,390	\$ (43,808)
Special Revenue	220,296	248,761	28,465
Capital Projects	40,000	54,011	14,011
Enterprise	1,187,000	1,528,637	341,637
Total	<u>\$ 1,780,494</u>	<u>\$ 2,120,799</u>	<u>\$ 340,305</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 464,725	\$ 225,903	\$ 238,822
Special Revenue	665,715	221,692	444,023
Capital Projects	80,529	73,186	7,343
Enterprise	1,681,165	1,457,892	223,273
Total	<u>\$ 2,892,134</u>	<u>\$ 1,978,673</u>	<u>\$ 913,461</u>

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 334,223	\$ 267,858	\$ (66,365)
Special Revenue	516,638	571,151	54,513
Capital Projects	37,640	44,945	7,305
Enterprise	1,162,002	1,358,368	196,366
Total	<u>\$ 2,050,503</u>	<u>\$ 2,242,322</u>	<u>\$ 191,819</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 229,923	\$ 194,920	\$ 35,003
Special Revenue	641,370	474,063	167,307
Capital Projects	57,762	38,316	19,446
Enterprise	2,182,197	1,390,294	791,903
Total	<u>\$ 3,111,252</u>	<u>\$ 2,097,593</u>	<u>\$ 1,013,659</u>

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 5 - Deposits

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

	2016	2015
Demand deposits	\$ 1,740,887	\$ 1,598,761
Total deposits	\$ 1,740,887	\$ 1,598,761

Deposits

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

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.

Income Taxes

The Village levies a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 7 – Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016 and 2015:

	<u>2015</u>	<u>2016</u>
Assets	\$38,307,677	\$42,182,281
Liabilities	<u>(12,759,127)</u>	<u>(13,396,700)</u>
Net Position	<u>\$25,548,550</u>	<u>\$28,785,581</u>

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$12.0 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$32,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2015</u>	<u>2016</u>
\$ 50,028	\$ 50,139

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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, 2016.

Ohio Police and Fire Retirement System

During 2015, the Village's full-time Police Officers belonged to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 11.5% of their wages from January 1, 2015 through June 30, 2015 and 12.25% of their wages from July 1, 2015 through December 31, 2015. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F contributes 0.5% to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest</u>
2012 Sanitary Sewer System Revenue Bonds	\$ 1,200,000	2.00%
OWDA - 4043 Storm Sewer Improvements	96,802	4.66%
OPWC - CT65F Sycamore Storm Sewer Improvements	42,673	0.00%
Water Plant Line Loan	38,824	6.00%
2014 USDA Rural Development Loan	1,015,900	2.50%
Fire Truck Loan	11,676	2.50%
	<u>\$ 2,405,875</u>	

During 1994, through an agreement with the United States Department of Agriculture, the Village issued bonds for sanitary sewer system repairs. The bond was due in annual installments of varying amounts through 2034, bearing interest at 5.25%. During 2012, the Village refinanced these bonds in the amount of \$1,415,000. The bond issue is held by BNY Mellon. The debt is backed by the full faith and credit of the Village, and revenues from utilities are used to retire the debt. The Village makes required principal and interest payments on an annual basis.

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 10 – Debt (Continued)

The OWDA Loan #4043 relates to the Storm Sewer Improvement project in 2004. The loan will be repaid in semiannual installments of \$7,721, over 20 years.

The OPWC Loan #CT65F related to the Sycamore Storm Sewer Improvements project in 2006. The loan will be repaid in semiannual installments of \$2,134, over 20 years.

The Village entered into an agreement with First National Bank of Sycamore in 2008 for the Water Plant Line Loan. The loan will be repaid in monthly installments of \$645, over 14 years.

The USDA Rural Development Loan was obtained to retire OWDA Loan #6493 that was obtained as interim financing for the new water treatment plant project. The Village repaid the OWDA Loan in 2014. The USDA Loan will be repaid over 30 years. The Village has agreed to set utility rates sufficient to cover USDA Rural Development debt service requirements. The USDA Rural Development Loan includes a covenant requiring the Village to establish and fund a debt service reserve fund. The Village did not establish this fund as of December 31, 2016.

The Village entered into an agreement with First National Bank of Sycamore in 2014 for a Fire Truck Loan. The loan will be repaid in monthly installments of \$445 over 5 years.

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

Year ending December 31:	Sewer Bonds	OWDA #4043	OPWC #CT65F
2017	\$ 97,973	\$ 15,442	\$ 4,267
2018	96,873	15,442	4,267
2019	100,305	15,442	4,267
2020	98,595	15,442	4,267
2021	101,885	15,442	4,267
2022-2026	496,755	38,605	21,338
2027-2031	494,198	-	-
2032	150,728	-	-
Total	<u>\$ 1,637,312</u>	<u>\$ 115,815</u>	<u>\$ 42,673</u>

Year ending December 31:	Water Plant Line Loan	2014 USDA Bonds	Fire Truck Loan
2017	\$ 7,736	\$ 20,898	\$ 5,341
2018	7,736	50,860	5,341
2019	7,736	50,908	1,336
2020	7,736	50,938	-
2021	7,736	50,850	-
2022-2026	7,736	254,448	-
2027-2031	-	254,330	-
2032-2036	-	254,495	-
2037-2041	-	254,400	-
2042-2044	-	152,625	-
Total	<u>\$ 46,416</u>	<u>\$ 1,394,752</u>	<u>\$ 12,018</u>

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 10 – Debt (Continued)

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's project share was 300 kilowatts (kW) of a total 771,281 kW, giving the Village a 0.04 percent project 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. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed *impaired* and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. As a result of a March 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 of the impaired costs at March 31, 2014 was \$52,401. The Village received a credit of \$13,567 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU, leaving an estimated net impaired cost balance of \$38,834. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$522 and interest expense incurred on AMP's line-of-credit of \$1,142, resulting in a net impaired cost estimate at December 31, 2016 of \$40,498. The Village does have a potential PHFU Liability of \$13,948 resulting in a net total potential liability of \$54,446, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next 5 years through a power cost adjustment.

Note 11 – 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.

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 11 – Combined Hydroelectric Projects (79 Members) (Continued)

The Village of Sycamore has executed a take-or-pay power sales contract with AMP for a Project Share of 200 kW or 0.10% of capacity and associated energy from the hydro facilities.

The Cannelton Hydro Project (88MW), now in operation as of 2016, is located on the Kentucky shore of the Cannelton Locks and Dam on federal land. AMP has a FERC license for the project that expires May 31, 2041. The hydro project diverts water from the locks and dam through bulb turbines, which have a horizontal shaft and Kaplan-type turbines. The site includes an intake channel, a reinforced concrete powerhouse (to house turbine and 3 generator units), and a tailrace or downstream channel.

The Willow Island Hydro Project, 44MW, now in operation, diverts water from the existing Willow Island Locks and Dam through bulb turbines. The FERC license for the Willow Project expires August 31, 2030. Average gross annual output is 279 million kWh. The powerhouse houses two horizontal 29.3 MW bulb type turbines and generating units.

The Smithland Hydro Project (76MW) is located 62.5 miles upstream of the confluence of the Ohio and Mississippi Rivers. The Smithland project has a FERC license that expires May 31, 2038. The powerhouse houses three horizontal 29.3 MW bulb type turbines and generating units. Average gross annual output is 379 million kWh. AMP expects the three unit Smithland Hydro Project (76MW) to be in commercial operation by second quarter or early third quarter of 2017.

Please note that these projected commercial operation dates set forth above are, and the other information herein is, subject to change and are dependent on a number of factors affecting each Project's overall remaining construction schedule, including weather. As a result, the commercial operation dates may occur earlier or later than the time frames set forth above.

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.

To provide financing for the Combined Hydroelectric Projects, in 2009 and 2010 AMP has issued in seven series \$2,045,425,000 of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. AMP issued the Combined Hydro Project Revenue Bonds, Series 2016A (Green Bonds) (the "Series 2016A Bonds") for \$209,530,000 on October 6, 2016. The bonds will finance final completion costs and also reimbursement to the AMP credit line, which provided interim financing for costs related to the construction of the three run-of the-river hydroelectric facilities (8 units) along the Ohio River, fund a deposit to the Parity Common Reserve Account, deposit to Escrow Account and pay the cost of issuance of the Series 2016A. The purpose of the "Green bonds" label is to allow investors to invest in an environmentally beneficial project.

As of December 31, 2016 the total outstanding Hydro Project debt on AMP's books is approximately \$2,175,339,706.

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 12 – Greenup Hydroelectric Project (47 Members)

The Greenup Hydroelectric Facility (the “Greenup Facility”) is a 70.2 MW run-of-the river hydroelectric generating facility located on the Greenup Locks and Dam on the Ohio River. The Greenup Facility entered commercial operation in 1982 and owned and operated by the City of Hamilton, Ohio (“Hamilton”) since 1988. In June 2008, Hamilton received a FERC license to operate a hydroelectric generation facility to be constructed on the Captain Anthony Meldahl Locks Dam, an existing dam on the Ohio River (“Meldahl Project”). In March 2009, AMP and Hamilton executed a series of agreements (the “AMP-Hamilton Agreements”) pursuant to which AMP committed to finance the development and the construction of Meldahl Project and to acquire, within 60 days of the date on which Meldahl Project entered commercial operation, a 48.6% undivided ownership interest in the Greenup Facility (the “AMP Interest”). The Meldahl Project entered commercial operation on April 12, 2016.

On May 11, 2016, in order to finance the acquisition of AMP’s Interest as well as AMP’s share of certain capital expenditures at the Greenup Facility and related costs, AMP issued its Greenup Hydroelectric Project Revenue Bonds, Series 2016A (the “Greenup Bonds”) in the principal amount of \$125,630,000. The Greenup Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 47 of its Members.

The Village of Sycamore has executed a take-or-pay power sales contract with AMP for a Project Share of 20 kW or .06% of capacity and associated energy from the Greenup hydro facilities.

AMP and Hamilton are responsible for an aliquot share, equal to their respective undivided ownership interest in the Greenup Facility (51.4% for Hamilton and 48.6% for AMP), of the operating and maintenance expenses of the Greenup Facility. In accordance with, and subject to the provisions of, the AMP-Hamilton Agreements, Hamilton continues to operate the Greenup Facility.

Note 13 – Meldahl Hydroelectric Project (48 Members)

AMP constructed a three unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing dam, on the Ohio River, constructed by the United States Army Corps of Engineers and of related equipment and associated transmission facilities (the “Meldahl Project”). Now that the Meldahl Project has entered commercial operation, it has a generating capacity of approximately 105 MW. The City of Hamilton, Ohio, a Member of AMP and a participant in the Meldahl Project, and AMP hold, as co-licensees, the Federal Energy Regulatory Commission license to operate the Meldahl Project.

In June 2008, Hamilton received a FERC license to operate a hydroelectric generation facility to be constructed on the Captain Anthony Meldahl Locks Dam, an existing dam on the Ohio River (“Meldahl Project”). In March 2009, AMP and Hamilton executed a series of agreements (the “AMP-Hamilton Agreements”) pursuant to which AMP committed to finance the development and the construction of Meldahl Project and to acquire within 60 days of the date on which Meldahl Project entered commercial operation, a 48.6% undivided ownership interest in the Greenup Facility (the “AMP Interest”).

The Village of Sycamore has executed a take-or-pay power sales contract with AMP for a Project Share of 30 kW or 0.03% of capacity and associated energy from the Meldahl Project.

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 13 – Meldahl Hydroelectric Project (48 Members) (Continued)

Pursuant to the various agreements between Hamilton and AMP, the Meldahl Project is owned by Meldahl, LLC, a single member, Delaware not-for-profit limited liability company (“Meldahl, LLC”). AMP is the sole member of Meldahl, LLC and appoints three members of its Board of Directors (the Meldahl Board). AMP, acting as agent of Meldahl LLC, has financed the development, acquisition, construction and equipping of the Meldahl Project. In order to finance the construction of the Meldahl Project and related costs, in 2010 and 2011 AMP issued six series of its Meldahl Hydroelectric Project Revenue Bonds (the “Meldahl Bonds”) in the amount of \$685,100,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its Members. The Meldahl Project entered commercial operation on April 12, 2016.

By resolution adopted on June 23, 2016 the AMP Board of Trustees authorized the issuance and sale of the Series 2016A Bonds. AMP issued Meldahl Hydro Project Revenue Bonds, Series 2016A (Green Bonds) (the “Series 2016A Bonds”) in the amount of \$80,050,000 on July 27, 2016. The proceeds of which were utilized to make a deposit to the Construction Account to retire balances held for the costs and expenses associated with the Project on AMP’s line of credit, fund a deposit to the Parity Common Reserve Account and pay the cost of issuance of the Series 2016A.

As of December 31, 2016, the outstanding debt for the Meldahl Hydroelectric Projects facility on AMP’s books was approximately \$702,370,000.

Note 14 – Prairie State Energy Campus (68 Members)

On December 20, 2007, AMP acquired 368,000 kW 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.

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.

The Village of Sycamore has executed a take-or-pay power sales contract with AMP for a Project Share of 299 kW or .08% kW of capacity and associated energy from the Prairie State facility.

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.

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. 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. As of December 31, 2016 the outstanding obligation on Prairie State project is \$1,576,845,000.

VILLAGE OF SYCAMORE
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 15 – Contingent Liabilities

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



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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**

May 26, 2017

Village of Sycamore
Wyandot County
PO Box 279
Sycamore, OH 44882

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 of the **Village of Sycamore**, Wyandot County (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 26, 2017, 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

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 audit 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 Village's financial statements. We consider findings 2016-001 and 2016-002 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 2016-003 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 are described in the accompanying schedule of audit findings as items 2016-002 and 2016-003.

Entity's Response to Findings

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

Purpose of this Report

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



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

VILLAGE OF SYCAMORE
WYANDOT COUNTY
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Material Weakness

Posting Receipts and Disbursements

The Village should have procedures and controls in place to help prevent and detect errors in financial reporting.

Receipts and disbursements were not always posted correctly. The following posting errors were noted:

- Municipal income tax activity was recorded in a Special Revenue Fund instead of the General Fund in 2015;
- Municipal income tax receipts were recorded at net instead of gross of collection fees in 2015;
- Auditor fees were recorded as Public Health instead of General Government in the General Fund in 2016 and 2015;
- Homestead, rollback, and tangible property reimbursement receipts were recorded as Property and Other Local Taxes instead of Intergovernmental in the General and Fire Funds in 2016 and 2015;
- Rollbacks were not allocated between the General and Fire Funds in 2015;
- Sale of a fire truck was recorded as Miscellaneous instead of Sale of Fixed Assets in the Fire Fund in 2016;
- Water Plant debt payment was recorded in the Fire Fund instead of the Water Operating Fund in 2016 and 2015;
- Water Plant debt payment was recorded as Interest and Fiscal Charges, Supplies and Materials and Other Financing Uses instead of Principal Retirement in the Water Operating Fund in 2016 and 2015;
- Fire Truck debt payment was recorded as Security of Persons and Property instead of Principal Retirement and Interest and Fiscal Charges in the Fire Fund in 2016;
- Fire Truck debt payment was recorded as Other Financing Uses in the Water Operating Fund instead of Principal Retirement and Interest and Fiscal Charges in the Fire Fund in 2016 and 2015;
- Interest credits from OWDA were not reflected in the Storm Sewer Fund in 2016;
- USDA debt payment was recorded as Other Financing Uses instead of Principal Retirement and Interest and Fiscal Charges in the Water Operating Fund in 2016;
- USDA debt payment was recorded as Interest and Fiscal Charges instead of Principal Retirement in the Water Operating Fund in 2015;
- State grant was recorded as Other Financing Sources instead of Intergovernmental in the Water Operating Fund in 2016;
- EMS contract payment was recorded in the Fire Fund instead of the Ambulance Fund in 2015;
- Permissive motor vehicle license tax receipt was recorded in the Storm Sewer Fund instead of the Permissive Motor Vehicle License Fund in 2015;
- Special assessment was recorded as Charges for Services instead of Special Assessments in the Electric Operating Fund in 2015.

Not posting receipts and disbursements accurately resulted in the financial statements requiring reclassifications and adjustments. The financial statements reflect all reclassifications and adjustments. The Village is in agreement with the adjustments and has posted them to its accounting system.

VILLAGE OF SYCAMORE
WYANDOT COUNTY
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001 (Continued)

Posting Receipts and Disbursements (Continued)

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements. We recommend the Village ensure that the account codes used within its accounting system roll-up into the correct line item on the Village's financial statements. We also recommend the Village refer to the Ohio Village Handbook for guidance to determine the proper posting of receipts.

Officials' Response: Posting errors made by mistake only. The Fiscal Officer will work hard to assure that the funds are placed in the correct fund.

FINDING 2016-002

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy. A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Revised Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law, which although they do not in and of themselves result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.39 indicating appropriations cannot exceed estimated resources in the Permissive Motor Vehicle License, Fire, Water Operating and Sewer Operating Funds in 2015;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations) in the General, Street Construction, Maintenance and Repair and State Highway Funds in 2015;
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds in 2016 and 2015;
- Appropriations and Estimated Resources were not reconciled to the accounting system in 2016 and 2015.

This resulted in incorrect amounts posted to the accounting system and information available to the Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the County Budget Commission and Council after each amendment. Council does not monitor for budgetary compliance. Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed or submitted to the County Budget Commission.

Council should review the requirements of Ohio Revised Code Section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary monitoring.

Officials' Response – There is significant progress being made by the Village on the purchase order issue. Appropriations and estimated resources were not reconciled from final revenue certificate to the UAN due to a large grant and a third party distributing funds, etc. right up to and through the end of the year.

VILLAGE OF SYCAMORE
WYANDOT COUNTY
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2016-003

Significant Deficiency/Noncompliance

Ohio Revised Code Section 5705.09 requires, in part, each subdivision to establish bond reserve and sinking funds for the retirement of serial bonds, notes, or certificates of indebtedness. It further requires each subdivision to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

During our review of the ledgers and annual financial reports, we noted the Village did establish the Sanitary Sewer System Revenue Bond and Interest Reserve Fund and carried a balance of \$60,000 transferred from the proceeds of the bonds in 2014. However, the Village did not receipt monthly transfers of \$850 into the fund to meet the minimum reserve balance of \$97,000, per the bond agreement. The Village also did not establish the Sanitary Sewer System Revenue Bond and Interest Sinking Fund to receive monthly transfers of 1/12 of the principal due on the next principal payment date and 1/6 of the interest due on the next interest payment date. We also noted the Village did not establish the Water System Mortgage Revenue Bond and Interest Sinking Fund to repay its Series 2014 Water System Mortgage Revenue Bonds, per the bond agreement. Failing to establish proper funds could result in restricted monies being used for illegal purposes and increases the likelihood that errors could occur and remain undetected.

We recommend the Village establish all required funds and post money received only to funds consistent with the money's intended purpose. New funds established should be approved by Council by resolution and documented in the minutes.

Officials' Response: We did not receive a response from Officials to this finding.

VILLAGE OF SYCAMORE
WYANDOT COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Posting Receipts and Disbursements	No	Not Corrected; Repeated as Finding 2016-001
2014-002	Ohio Revised Code Section 5705.09 – Establishment of Funds	No	Not Corrected; Repeated as Finding 2016-003
2014-003	Ohio Revised Code Section 5705.39 – Appropriations Exceed Estimated Resources	No	Not Corrected; Repeated as Finding 2016-002
2014-004	Ohio Revised Code Section 5727.81(A)(3) – Kilowatt Hour Tax	Yes	N/A



Dave Yost • Auditor of State

VILLAGE OF SYCAMORE

WYANDOT 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
JULY 11, 2017