



Dave Yost • Auditor of State

VILLAGE OF LINDSEY
SANDUSKY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Lindsey
Sandusky County
240 South Main Street
P.O. Box 364
Lindsey, Ohio 43442-0364

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 Lindsey, Sandusky County, Ohio (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.

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 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, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Lindsey, Sandusky County, Ohio as of December 31, 2016 and 2015, 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 January 18, 2018, 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.



Dave Yost
Auditor of State

Columbus, Ohio

January 18, 2018

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$46,285		\$46,285
Intergovernmental	34,744	\$26,327	61,071
Charges for Services		137,499	137,499
Fines, Licenses and Permits	180		180
Earnings on Investments	23	57	80
Miscellaneous	370	164	534
<i>Total Cash Receipts</i>	<u>81,602</u>	<u>164,047</u>	<u>245,649</u>
Cash Disbursements			
Current:			
Security of Persons and Property	17,411	84,120	101,531
Public Health Services	245		245
Leisure Time Activities	2,925		2,925
Community Environment	2,350		2,350
Basic Utility Services	387		387
Transportation		9,115	9,115
General Government	37,305		37,305
<i>Total Cash Disbursements</i>	<u>60,623</u>	<u>93,235</u>	<u>153,858</u>
<i>Excess of Receipts Over Disbursements</i>	<u>20,979</u>	<u>70,812</u>	<u>91,791</u>
Other Financing Disbursements			
Other Financing Uses	(1,760)		(1,760)
<i>Net Change in Fund Cash Balances</i>	19,219	70,812	90,031
<i>Fund Cash Balances, January 1</i>	<u>50,389</u>	<u>546,608</u>	<u>596,997</u>
Fund Cash Balances, December 31			
Restricted		617,420	617,420
Assigned	19,809		19,809
Unassigned	49,799		49,799
<i>Fund Cash Balances, December 31</i>	<u>\$69,608</u>	<u>\$617,420</u>	<u>\$687,028</u>

See accompanying notes to the basic financial statements.

VILLAGE OF LINDSEY
SANDUSKY COUNTY

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

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$153,739</u>
Operating Cash Disbursements	
Personal Services	21,912
Supplies and Materials	<u>106,232</u>
<i>Total Operating Cash Disbursements</i>	<u>128,144</u>
<i>Operating Income</i>	<u>25,595</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	11,819
Principal Retirement	(15,053)
Interest and Other Fiscal Charges	<u>(3,348)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(6,582)</u>
<i>Net Change in Fund Cash Balances</i>	19,013
<i>Fund Cash Balances, January 1</i>	<u>170,160</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$189,173</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 1 – Reporting Entity

The Village of Lindsey, Sandusky County, Ohio, (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, fire protection, and police services. The Village contracts with the Sandusky County Sheriff's department to provide security of persons and property. The Village appropriates special revenue fund money to support a volunteer fire department.

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This entity is:

Public Entity Risk Pool:

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM), which provides a jointly administered self-insurance risk management program and other administrative services to Ohio Governments. 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 throughout fourteen appointed agents in the State of Ohio.

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 the proprietary fund type 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 Fund 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 Fund The state highway fund accounts for and reports that portion of State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village.

VILLAGE OF LINDSEY
SANDUSKY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

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.

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).

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 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.

A summary of 2016 budgetary activity appears in Note 3.

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.

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.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,415	\$81,602	\$5,187
Special Revenue	117,739	164,047	46,308
Enterprise	130,500	165,558	35,058
Total	\$324,654	\$411,207	\$86,553

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$114,000	\$75,027	\$38,973
Special Revenue	669,591	174,238	495,353
Enterprise	300,660	197,232	103,428
Total	\$1,084,251	\$446,497	\$637,754

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 4 – 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:

	<u>2016</u>
Demand deposits	<u>\$876,201</u>

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

Note 5 – 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 6 – Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. 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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	2016
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 7 – 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.

Social Security

Some of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 – 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4402	\$113,486	2.75%
Ohio Public Works Commission Loan #CE03F	40,804	0%
Total	\$154,290	

The Ohio Water Development Authority (OWDA) Loan #4402 relates to a water supply and treatment plant improvement project. The OWDA approved up to \$228,829 in loans to the Village for this project.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

The Village will repay the loans in semiannual installments of \$7,160, including interest, over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Ohio Public Works Commission (OPWC) Loan #CE03F relates to water supply and treatment plant improvement project. OPWC loaned the Village \$81,608 for this project. The Village will repay the loan in semiannual installments of \$2,040 over 20 years with a final maturity date of July 1, 2027. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization

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

Year ending December 31:	OWDA Loan #4402	OPWC Loan #CE03F	Total
2017	\$14,320	\$4,080	\$18,400
2018	14,321	4,080	18,401
2019	14,320	4,081	18,401
2020	14,321	4,080	18,401
2021	14,320	4,081	18,401
2022-2026	57,281	20,402	77,683
Total	<u>\$128,883</u>	<u>\$40,804</u>	<u>\$169,687</u>

Note 10 – Contingent Liabilities

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

Note 11 – Other Commitments

The Village utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At December 31, 2016, the Village's commitments for encumbrances were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$12,644
Special Revenue	81,003
Enterprise	50,687
Total	<u>\$144,334</u>

Note 12 – Miscellaneous Receipts

In 2016, Enterprise Fund Miscellaneous receipts consist largely of rent proceeds from American Tower for utilization of a cell phone tower on Village property.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 13 – Compliance

Contrary to the requirements of the Revised Code Homestead and Rollback deductions on property taxes levied in the General Fund were improperly recorded in the Street Construction, Maintenance and Repair Fund and the State Highway Fund.

Note 14 – Subsequent Events

The Village entered into an agreement with the Ohio Public Works Commission (OPWC) for funding related to the construction of a Sanitary Sewer Inflow and Infiltration Water Runoff. Construction is estimated to be completed by May 2018. OPWC designated \$463,000 to the Village with half grant funds and half loan. The Village agreed to set utility rates sufficient to repay the OPWC debt requirements and on April 3, 2017, approved Ordinance 2017-2 increasing the flat rate monthly service charge for residential and nonresidential properties by \$8.

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**VILLAGE OF LINDSEY
SANDUSKY 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>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$47,539			\$47,539
Intergovernmental	30,469	\$26,286	\$48,489	105,244
Charges for Services		94,596		94,596
Fines, Licenses and Permits	200			200
Earnings on Investments	22	54		76
Miscellaneous	273	27,399		27,672
<i>Total Cash Receipts</i>	<u>78,503</u>	<u>148,335</u>	<u>48,489</u>	<u>275,327</u>
Cash Disbursements				
Current:				
Security of Persons and Property	20,333	92,799	48,489	161,621
Public Health Services	261			261
Leisure Time Activities	2,511			2,511
Community Environment	2,031			2,031
Basic Utility Services	2,427			2,427
Transportation		13,014		13,014
General Government	40,803	7,907		48,710
<i>Total Cash Disbursements</i>	<u>68,366</u>	<u>113,720</u>	<u>\$48,489</u>	<u>230,575</u>
<i>Excess of Receipts Over Disbursements</i>	<u>10,137</u>	<u>34,615</u>		<u>44,752</u>
Other Financing Disbursements				
Other Financing Uses	<u>(10,480)</u>			<u>(10,480)</u>
<i>Net Change in Fund Cash Balances</i>	(343)	34,615		34,272
<i>Fund Cash Balances, January 1</i>	<u>50,732</u>	<u>511,993</u>		<u>562,725</u>
Fund Cash Balances, December 31				
Restricted		546,608		546,608
Assigned	37,585			37,585
Unassigned	12,804			12,804
<i>Fund Cash Balances, December 31</i>	<u>\$50,389</u>	<u>\$546,608</u>		<u>\$596,997</u>

See accompanying notes to the basic financial statements.

VILLAGE OF LINDSEY
SANDUSKY COUNTY

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

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$135,787</u>
Operating Cash Disbursements	
Personal Services	6,569
Contractual Services	1,139
Supplies and Materials	<u>98,024</u>
<i>Total Operating Cash Disbursements</i>	<u>105,732</u>
<i>Operating Income</i>	<u>30,055</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	8,480
Principal Retirement	(14,757)
Interest and Other Fiscal Charges	<u>(3,643)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(9,920)</u>
<i>Net Change in Fund Cash Balances</i>	20,135
<i>Fund Cash Balances, January 1</i>	<u>150,025</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$170,160</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1 – Reporting Entity

The Village of Lindsey, Sandusky County, Ohio, (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, fire protection, and police services. The Village contracts with the Sandusky County Sheriff's department to provide security of persons and property. The Village appropriates special revenue fund money to support a volunteer fire department.

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This entity is:

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM), which provides a jointly administered self-insurance risk management program and other administrative services to Ohio Governments. 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 throughout fourteen appointed agents in the State of Ohio.

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

Fire Fund The fire fund receives revenues from Rice and Washington Townships for providing fire protection services.

VILLAGE OF LINDSEY
SANDUSKY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(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 Project Fund:

Federal Grant Fund The federal grant fund received a federal grant from the U.S. Department of Homeland Security to be used towards the purchase of MARCS Radios.

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.

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).

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 or 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 budgetary activity appears in Note 3.

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.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

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.

Note 3 – Budgetary Activity

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,340	\$78,503	\$7,163
Special Revenue	116,865	148,335	31,470
Capital Projects	48,489	48,489	
Enterprise	137,300	144,267	6,967
Total	\$373,994	\$419,594	\$45,600

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$114,001	\$78,846	\$35,155
Special Revenue	628,858	113,720	515,138
Capital Projects	48,489	48,489	
Enterprise	287,325	124,132	163,193
Total	\$1,078,673	\$365,187	\$713,486

Note 4 – 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:

	2015
Demand deposits	\$767,157

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

Note 5 – 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 6 – Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the Plan) - 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.

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

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

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	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

Note 7 – 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, 2015.

Social Security

Some of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 8 – 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

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4402	\$124,458	2.75%
Ohio Public Works Commission Loan #CE03F	44,884	0%
Total	\$169,342	

The Ohio Water Development Authority (OWDA) Loan #4402 relates to a water supply and treatment plant improvement project. The OWDA approved up to \$228,829 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$7,160, including interest, over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Ohio Public Works Commission (OPWC) Loan #CE03F relates to water supply and treatment plant improvement project. OPWC loaned the Village \$81,608 for this project. The Village will repay the loan in semiannual installments of \$2,040 over 20 years with a final maturity date of July 1, 2027. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization

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

Year ending December 31:	OWDA Loan #4402	OPWC Loan #CE03F	Total
2016	\$14,320	\$4,081	\$18,401
2017	14,320	4,080	18,400
2018	14,321	4,080	18,401
2019	14,320	4,081	18,401
2020	14,321	4,080	18,401
2021-2025	71,601	20,402	92,003
2026-2026		4,080	4,080
Total	\$143,203	\$44,884	\$188,087

Note 10 – Contingent Liabilities

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

Note 11 – Miscellaneous Receipts

In 2015, Enterprise Fund Miscellaneous receipts consist largely of rent proceeds from American Tower/Verizon Wireless for utilization a cell phone tower on Village property. Also, Miscellaneous receipts in Special Revenue Funds consisted of a donation.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 12 – Compliance

Contrary to the requirements of the Revised Code Homestead and Rollback deductions on property taxes levied in the General Fund were improperly recorded in the Street Construction, Maintenance and Repair Fund and the State Highway Fund.

Note 13 – Subsequent Events

The Village entered into an agreement with the Ohio Public Works Commission (OPWC) for funding related to the construction of a Sanitary Sewer Inflow and Infiltration Water Runoff. Construction is estimated to be completed by May 2018. OPWC designated \$463,000 to the Village with half grant funds and half loan. The Village agreed to set utility rates sufficient to repay the OPWC debt requirements and on April 3, 2017, approved Ordinance 2017-2 increasing the flat rate monthly service charge for residential and nonresidential properties by \$8.

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Dave Yost • Auditor of State

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

Village of Lindsey
Sandusky County
240 South Main Street
P.O. Box 364
Lindsey, Ohio 43442-0364

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 Lindsey, Sandusky County, Ohio (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 January 18, 2018 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-002.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 18, 2018

VILLAGE OF LINDSEY
SANDUSKY COUNTY

SCHEDULE OF FINDINGS
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

Financial Reporting

The Village's management is responsible for the fair presentation of the financial statements. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. Errors were noted in the financial statements, resulting in adjustments such as the following:

- In 2015, charges for services revenue was incorrectly classified as special assessments in the amount of \$10,690, and as miscellaneous revenue in the amount of \$6,191 in the Enterprise Funds.
- In 2016, charges for services revenue of \$13,319 was incorrectly classified as miscellaneous revenue in the Enterprise Funds.
- Miscellaneous receipts were incorrectly classified as intergovernmental revenue in the Special Revenue Funds in 2015 the amount of \$27,399.
- Subsequent year appropriations over estimated receipts within the General Fund in the amount of \$7,165 were misclassified as unassigned rather than assigned in 2016.
- Outstanding encumbrances within the General Fund of \$12,644 were improperly accounted for as unassigned rather than assigned in 2016.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to Council making misinformed decisions. Additional audit adjustments were made in smaller relative amounts for additional reasons. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors.

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook and Audit Bulletin 2011-004 for information on GASB Statement No. 54, to help ensure that all accounts are being properly posted to the financial statements.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(A) provides that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the General Fund.

- In 2016, Homestead and Rollback deductions on property taxes levied in the General Fund in the amounts of \$4,849 and \$393 were improperly recorded in the Street Construction, Maintenance and Repair Fund and the State Highway Fund, respectively.

- In 2015, Homestead and Rollback deductions on property taxes levied in the General Fund in the amounts of \$2,401 and \$2,844 were improperly recorded in the Street Construction, Maintenance and Repair Fund and the State Highway Fund, respectively.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Adjustments were made to the accompanying financial statements and accounting records to correct these errors.

We recommend the Village record these receipts to the appropriate fund.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness due to errors over financial reporting.	Not corrected. Repeated in this report as finding 2016-001.	<p>Fiscal Officer was unfamiliar with the fund balance classification.</p> <p>The Fiscal Officer will review the necessary procedures to make sure fund classifications are properly authorized from the State and Village Council approval.</p> <p>The Fiscal Officer will ensure these are accounted for correctly in the future.</p>
2014-002	Noncompliance and material weakness over 31 CFR Subpart B § 205.33 and the A-102 Common Rule for not expending grant advances within 30 days.	Corrective Action Taken and Finding is Fully Corrected.	The Village did not require a single audit for the current audit period. The one federal receipt received in 2015 was expended within 30 days.

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VILLAGE OF LINDSEY

SANDUSKY 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
FEBRUARY 6, 2018