



Dave Yost • Auditor of State

VILLAGE OF MCGUFFEY
HARDIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Enterprise Funds - For the Year Ended December 31, 2016.....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Enterprise Funds - For the Year Ended December 31, 2015.....	6
Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015.....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	19

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of McGuffey
Hardin County
P.O. Box 304
McGuffey, Ohio 45859

To the Members of 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 McGuffey, Hardin 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 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 McGuffey, Hardin County 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 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 31, 2018

**VILLAGE OF MCGUFFEY
HARDIN 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	\$7,246		\$7,246
Municipal Income Tax	47,250		47,250
Intergovernmental	15,179	\$24,351	39,530
Special Assessments		8,593	8,593
Fines, Licenses and Permits	2,493	700	3,193
Earnings on Investments	1,024	301	1,325
Miscellaneous	37,070	267	37,337
Total Cash Receipts	<u>110,262</u>	<u>34,212</u>	<u>144,474</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	45,549		45,549
Public Health Services	926		926
Leisure Time Activities	234		234
Basic Utility Services	4,286	9,200	13,486
Transportation	1,603	22,048	23,651
General Government	59,620		59,620
Total Cash Disbursements	<u>112,218</u>	<u>31,248</u>	<u>143,466</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,956)</u>	<u>2,964</u>	<u>1,008</u>
Fund Cash Balances, January 1	<u>154,120</u>	<u>184,335</u>	<u>338,455</u>
Fund Cash Balances, December 31:			
Restricted		187,299	187,299
Assigned	53,984		53,984
Unassigned	98,180		98,180
Fund Cash Balances, December 31	<u>\$152,164</u>	<u>\$187,299</u>	<u>\$339,463</u>

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

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

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

Operating Cash Receipts:	
Charges for Services	\$239,064
Miscellaneous	1,252
Total Operating Cash Receipts	240,316
Operating Cash Disbursements:	
Personal Services	37,969
Employee Fringe Benefits	8,857
Contractual Services	72,117
Supplies and Materials	23,122
Total Operating Cash Disbursements	142,065
Operating Income	98,251
Non-Operating Receipts (Disbursements):	
Debt Proceeds	95,997
Intergovernmental	29,000
Capital Outlay	(124,997)
Principal Retirement	(58,226)
Interest and Other Fiscal Charges	(3,120)
Total Non-Operating Receipts (Disbursements)	(61,346)
Income before Transfers	36,905
Transfers In	21,600
Transfers Out	(21,600)
Net Change in Fund Cash Balances	36,905
Fund Cash Balances, January 1	383,259
Fund Cash Balances, December 31	\$420,164

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

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$6,766		\$6,766
Municipal Income Tax	54,300		54,300
Intergovernmental	12,668	\$24,984	37,652
Special Assessments		8,612	8,612
Fines, Licenses and Permits	2,451		2,451
Earnings on Investments	1,079	343	1,422
Miscellaneous	19,938	150	20,088
Total Cash Receipts	<u>97,202</u>	<u>34,089</u>	<u>131,291</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	50,572		50,572
Public Health Services	1,659		1,659
Leisure Time Activities	399		399
Basic Utility Services	1,469	9,056	10,525
Transportation	3,626	17,836	21,462
General Government	<u>50,652</u>		<u>50,652</u>
Total Cash Disbursements	<u>108,377</u>	<u>26,892</u>	<u>135,269</u>
Excess of Receipts Over (Under) Disbursements	<u>(11,175)</u>	<u>7,197</u>	<u>(3,978)</u>
Other Financing Receipts:			
Sale of Capital Assets	2,550		2,550
Other Financing Sources	<u>272</u>		<u>272</u>
Total Other Financing Receipts	<u>2,822</u>		<u>2,822</u>
Net Change in Fund Cash Balances	(8,353)	7,197	(1,156)
Fund Cash Balances, January 1	<u>162,473</u>	<u>177,138</u>	<u>339,611</u>
Fund Cash Balances, December 31:			
Restricted		184,335	184,335
Assigned	28,099		28,099
Unassigned	126,021		126,021
Fund Cash Balances, December 31	<u>\$154,120</u>	<u>\$184,335</u>	<u>\$338,455</u>

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

VILLAGE OF MCGUFFEY
HARDIN COUNTY

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

Operating Cash Receipts:	
Charges for Services	\$250,691
Miscellaneous	1,186
Total Operating Cash Receipts	<u>251,877</u>
Operating Cash Disbursements:	
Personal Services	42,996
Employee Fringe Benefits	12,897
Contractual Services	97,986
Supplies and Materials	36,605
Total Operating Cash Disbursements	<u>190,484</u>
Operating Income	<u>61,393</u>
Non-Operating (Disbursements):	
Principal Retirement	(62,609)
Interest and Other Fiscal Charges	(3,753)
Total Non-Operating (Disbursements)	<u>(66,362)</u>
Net Change in Fund Cash Balances	(4,969)
Fund Cash Balances, January 1	<u>388,228</u>
Fund Cash Balances, December 31	<u>\$383,259</u>

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

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of McGuffey, Hardin County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance and water and sewer utilities. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property. Fire protection is provided by the McGuffey Volunteer Fire Department.

The Village participates in two jointly governed organizations and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP) – provided property and casualty coverage for its members.

Jointly Governed Organizations:

Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

Upper Scioto Valley Ambulance District – This District provides emergency medical services to members of the District.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. 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.

C. Deposits and Investments

The Village does not have any investments. All money is maintained in an interest-bearing checking account.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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.

2. 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:

Light Assessment Fund – This fund receives special assessments to provide street lighting.

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

3. Enterprise Funds

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

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

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

OWDA Sewer Design Fund – This fund received the proceeds of an Ohio Water Development Authority loan for wastewater treatment facility improvements.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. 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.

2. Estimated Resources

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

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	2016	2015
Demand deposits	\$759,627	\$721,714

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

3. BUDGETARY ACTIVITY

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

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$119,002	\$110,262	(\$8,740)
Special Revenue	74,015	34,212	(39,803)
Enterprise	380,642	386,913	6,271
Total	\$573,659	\$531,387	(\$42,272)

2016 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,101	\$112,218	\$34,883
Special Revenue	90,000	31,248	58,752
Enterprise	464,593	350,008	114,585
Total	\$701,694	\$493,474	\$208,220

2015 Budgeted vs Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$86,588	\$100,024	\$13,436
Special Revenue	76,320	34,089	(42,231)
Enterprise	385,195	251,877	(133,318)
Total	\$548,103	\$385,990	(\$162,113)

2015 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,051	\$108,377	(\$12,326)
Special Revenue	85,225	26,892	\$58,333
Enterprise	444,819	256,846	\$187,973
Total	\$626,095	\$392,115	\$233,980

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent 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 the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission #CP42C	\$125,000	0%
Ohio Public Works Commission #CP06L	\$61,488	0%
Ohio Water Development Authority #3281	120,431	2.2%
Ohio Water Development Authority #7278	95,997	2.96%
Total	<u>\$402,916</u>	

During May 2000, the Village entered into loan agreement CP42C with the Ohio Public Works Commission (OPWC) for a sewer expansion project mandated by the Ohio Environmental Protection. The loan was in the amount of \$500,000 and is to be re-paid in semi-annual payments with a maturity in 2021. This debt is being repaid from the Sewer OPWC Loan No. 4 Fund.

During July 2008, the Village entered into loan agreement CP06L with the Ohio Public Works Commission for water meter installation and improvements. The loan was in the amount \$94,597 and is to be re-paid in semi-annual payments with a maturity in 2030. This debt is being repaid from the Water OPWC/OWDA Fund.

The Ohio Water Development Authority(OWDA) Loan 3281 was approved April 27, 2000 for the sewer plant expansion project mandated by the Ohio Environmental Protection Agency. The loan in the amount of \$509,336 is to be re-paid in semi-annual principal and interest payments and matures in 2021. This debt is being repaid from the Sewer OWDA Loan No. 3 Fund.

In April of 2016, the Village entered into a loan agreement with the Ohio Water Development Authority for \$114,400 wastewater treatment facility improvements. As of December 31, 2016, the Village has received and disbursed \$95,997 from this loan. The project has not been completed, so therefore no amortization schedule is available.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

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

6. DEBT (Continued)

The Ohio Water Development Authority Loan 4267 in the amount of \$50,000 was approved in December 2004 for the water design project. The proceeds of this loan were received in 2007. The loan was re-paid in annual payments with a maturity in 2016. This debt was being repaid from the Water OPWC/OWDA Fund. This loan was paid in full as of December 31, 2016.

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

Year ending December 31:	OPWC CP42C	OPWC CP06L	OWDA 3281
2017	\$25,000	\$4,730	\$31,617
2018	25,000	4,730	31,617
2019	25,000	4,730	31,617
2020	25,000	4,730	31,617
2021	25,000	4,730	
2022-2026		23,649	
2027-2030		14,189	
Total	\$125,000	\$61,488	\$126,468

7. RETIREMENT SYSTEM

The Village's 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. For 2015 and 2016, 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.

All Council members and two Board of Public Affairs members contribute to Social Security instead of participating in OPERS. The Village's liability for Social Security is 6.2 percent of wages paid. The Village has paid all contributions required through December 31, 2016.

8. 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 MCGUFFEY
HARDIN COUNTY**

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

8. RISK MANAGEMENT (Continued)

A. 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, 2016, 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.

B. Financial Position

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

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

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$12 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million and 11 million of unpaid claims to be billed to approximately 520 and 499 member governments in the future, as of December 31, 2016 and 2015, respectively. 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 \$6,000.

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.

Contributions to PEP		
2016	2015	2014
\$9,267	\$9,434	\$9,134

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 MCGUFFEY
HARDIN COUNTY**

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

9. JOINTLY GOVERNED ORGANIZATIONS

- A. Hardin County Regional Planning Commission** - (the Commission) is governed by a Board consisting of members from Hardin County, the municipalities and townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Township is represented by one member.

The Commission assists the County in administering grants; provides member subdivisions with technical assistance with grants and grant writing; provides member subdivisions with assistance on zoning codes and the updating and revision of these codes; assists with the division of real estate lots; maintains flood insurance maps on file and oversees flood hazard construction regulations; and maintains the County's census data on file. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

- B. The Upper Scioto Valley Ambulance District** – (the District) is a jointly governed entity governed by a five-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Marion Township, McDonald Township, Roundhead Township, the Village of Alger, and the Village of McGuffey in Hardin County. The District provides ambulance services within the District. Financial information can be obtained from Joyce Campbell, Clerk, P.O. Box 83, Alger, Ohio 45812.

10. INTERFUND TRANSFER

Since the purpose of the fund had been satisfied in 2016, the balance of the Wastewater Treatment Plant System Improvement Fund Debt Service Fund (CP14Q), in the amount of \$21,600, was transferred into the Design of WWTP Improvements Debt Service Fund (7278).



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 McGuffey
Hardin County
P.O. Box 304
McGuffey, Ohio 45859

To the Members of 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 McGuffey, Hardin 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 January 31, 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

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

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 report 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 31, 2018

**VILLAGE OF MCGUFFEY
HARDIN 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 – Accuracy of Financial Reporting

The Village should have procedures and controls in place to prevent and detect errors in the financial statements and accounting records. The following errors were identified in the financial statements at December 31, 2016 and 2015:

- Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (GASB Codification 1800.165), effective for periods beginning after June 15, 2010, established criteria for classifying fund balances into specifically defined classifications based on the constraints placed upon the resources. GASB 54 was not implemented for the year ending December 31, 2015.

As a result of not implementing GASB 54, the General Fund ending balance of \$154,120 had to be reclassified from fund balance to unassigned fund balance. The Special Revenue Fund ending fund balance of \$184,335 had to be reclassified from fund balance to restricted fund balance.

- Paragraph 16 of GASB Statement No. 54,(GASB Codification 1800.176), states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund. At December 31, 2015, General Fund subsequent year appropriations exceeded estimated receipts by \$28,099, therefore, this amount was reclassified from unassigned fund balance to assigned fund balance.

GASB 54 was implemented for the year ended December 31, 2016; however, General Fund subsequent appropriations in excess of estimated receipts, in the amount of \$53,984, was reclassified from unassigned fund balance to assigned fund balance.

The following errors were identified in the financial statements and/or accounting records in 2016 and 2015:

- A bonus payment from the rental of the tower, in the amount of \$15,000, was recorded in the General Fund as fines, licenses, & permits instead of miscellaneous receipts;
- Receipts in the amount of \$17,300 received from the rent of a tower and office space were recorded in the General Funds as charges for services instead of miscellaneous receipts;
- Ohio Water Development Authority (OWDA) debt proceeds and the related capital outlay disbursements in the amount of \$95,997 for a wastewater treatment plant project were recorded as intergovernmental receipts and general government disbursements in a Governmental Capital Projects Fund. This activity should have been reported in an Enterprise fund as debt proceeds and capital outlay disbursements;
- Community Development Block Grant (CDBG) grant proceeds and the related capital outlay disbursements in the amount of \$29,000 for a wastewater treatment plant project were recorded as intergovernmental receipts and general government disbursements in a Governmental Capital Projects fund. This activity should have been reported in an Enterprise Fund as intergovernmental receipts and capital outlay disbursements;

FINDING NUMBER 2016-001
(Continued)

- Tangible personal property tax receipts in the amount of \$1,046 were recorded as intergovernmental receipts instead of property tax receipts in the General Fund;
- Wages paid to the Town Man and Assistant Town Man, in the amount of \$11,165 in 2016 and \$11,898 in 2015, were recorded in the Street Construction Maintenance and Repair Fund as security of persons and property instead of transportation disbursements; and
- On December 12, 2016 an ordinance was passed authorizing the transfer of funds in the amount of \$21,600 from the Enterprise Sewer Debt Service Fund CP14Q to the Enterprise Sewer Debt Service Fund OWDA #7278 was not recorded.

In addition to these errors, an insignificant financial recording error was not adjusted. Also, changes were made to the Notes to the Financial Statements to correct the presentation of significant funds, to correct budget receipts and disbursements in the budgetary activity note, and to correct the debt disclosure.

The accompanying financial statements have been adjusted to correct these recording errors. The accounting records were adjusted to record the transfer and to create an Enterprise Capital Projects Fund.

Errors in the financial statements and/or accounting records inhibit the ability of both the Fiscal Officer and the Members of Council to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Village. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner.

The errors identified above should be reviewed by the Fiscal Officer to help prevent similar errors in the financial statements and/or accounting records in subsequent years. The Members of the Village Council should periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements. In addition, the Fiscal Officer should review the Village Officer's Handbook, Auditor of State Bulletins, and other resources which can be found on the Auditor of State Website at <https://ohioauditor.gov/> for guidance in recording of financial activity.

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

VILLAGE OF MCGUFFEY
HARDIN COUNTY

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

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness – Accuracy of Financial Reporting – The Village did not implement GASB 54, incorrectly classified SOME receipts in 2013 and 2014, and did not correctly allocate reimbursements from a grant to the funds incurring the disbursements.	Partially Corrected	GASB 54 was implemented in 2016 but did not have the assigned fund balance and incorrectly classified receipts

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF MCGUFFEY

HARDIN 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 22, 2018