



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF MCGUFFEY
HARDIN COUNTY
DECEMBER 31, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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Report on the Financial Statements, Internal Control, and Compliance

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

To the Members of Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of McGuffey, Hardin County, (the Village), as of and for the years ended December 31, 2020 and 2019. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2020-016 through 2020-024 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2020-001 through 2020-015.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 14, 2022

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Village of McGuffey, Ohio

Hardin County

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2020

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$6,201	\$3,651	\$0	\$9,852
Municipal Income Tax	61,697	0	0	61,697
Intergovernmental	15,447	72,500	23,232	111,179
Special Assessments	0	7,387	0	7,387
Fines, Licenses and Permits	3,095	0	0	3,095
Earnings on Investments	158	70	0	228
Miscellaneous	23,590	775	0	24,365
<i>Total Cash Receipts</i>	<u>110,188</u>	<u>84,383</u>	<u>23,232</u>	<u>217,803</u>
Cash Disbursements				
Current:				
Security of Persons and Property	127	8,292	0	8,419
Public Health Services	375	0	0	375
Leisure Time Activities	500	0	0	500
Community Environment	174	0	0	174
Basic Utility Services	0	2,471	0	2,471
Transportation	0	30,366	0	30,366
General Government	105,242	10,011	0	115,253
Capital Outlay	9,935	0	23,232	33,167
Debt Service:				
Principal Retirement	513	6,188	0	6,701
Interest and Fiscal Charges	114	1,961	0	2,075
<i>Total Cash Disbursements</i>	<u>116,980</u>	<u>59,289</u>	<u>23,232</u>	<u>199,501</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,792)</u>	<u>25,094</u>	<u>0</u>	<u>18,302</u>
Other Financing (Disbursements)				
Transfers Out	(5,000)	0	0	(5,000)
<i>Total Other Financing (Disbursements)</i>	<u>(5,000)</u>	<u>0</u>	<u>0</u>	<u>(5,000)</u>
<i>Net Change in Fund Cash Balances</i>	(11,792)	25,094	0	13,302
<i>Fund Cash Balances, January 1</i>	<u>66,945</u>	<u>147,811</u>	<u>0</u>	<u>214,756</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$55,153</u></u>	<u><u>\$172,905</u></u>	<u><u>\$0</u></u>	<u><u>\$228,058</u></u>

See accompanying notes to the basic financial statements

Village of McGuffey, Ohio
Hardin County

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
Enterprise Funds**

For the Year Ended December 31, 2020

Operating Cash Receipts

Charges for Services	\$277,573
Miscellaneous	2,624
	<hr/>
<i>Total Operating Cash Receipts</i>	<i>280,197</i>

Operating Cash Disbursements

General Government	55
Personal Services	59,722
Employee Fringe Benefits	8,998
Contractual Services	106,401
Supplies and Materials	43,905
	<hr/>
<i>Total Operating Cash Disbursements</i>	<i>219,081</i>

Operating Income

61,116

Non-Operating Receipts (Disbursements)

Special Assessments	2,975
Principal Retirement	(21,750)
Interest and Other Fiscal Charges	(720)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(19,495)</i>

Income before Transfers

41,621

Transfers In
Transfers Out

20,618

(15,618)

Net Change in Fund Cash Balances

46,621

Fund Cash Balances, January 1

218,596

Fund Cash Balances, December 31

\$265,217

See accompanying notes to the basic financial statements

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of McGuffey (the Village), Hardin County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides 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.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in two jointly governed organizations and two public entity risk pools. Notes 6, 10, and 11 to the financial statements provides additional information for these entities. 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 enterprise funds.

Fund Accounting

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

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

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

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

Coronavirus Relief Fund - The coronavirus relief fund accounts for revenue received from the State/County to be used for expenses related to the COVID-19 Pandemic.

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 capital project fund:

Capital Projects – This fund accounted for engineering work on a revitalization project paid on behalf of the Village by Hardin County.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

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

Sewer Operating Fund – the sewer operating 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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, 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 2020 budgetary activity appears in Note 3.

Deposits and Investments

The Village does not have any investments. All money is maintained in checking accounts.

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 McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave

Fund Balance

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

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

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

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

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year-end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,993	\$110,188	\$13,195
Special Revenue	79,338	84,383	5,045
Capital Projects	750,000	23,232	(726,768)
Enterprise	332,564	303,790	(28,774)
Total	\$1,258,895	\$521,593	(\$737,302)

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$121,995	\$124,280	(\$2,285)
Special Revenue	109,327	90,044	19,283
Capital Projects	750,000	23,232	726,768
Enterprise	449,052	260,363	188,689
Total	\$1,430,374	\$497,919	\$932,455

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$2,285 for the year ended December 31, 2020. Receipts belonging to the Enterprise Water, Water Contingency, Water – CP06L, and Refuse funds in the amounts of, of \$8,748, \$2,504, and \$1,306, respectively, were recorded in Enterprise Sewer Fund; receipts in the amount of \$5,274 belonging in the Special Assessment – Lights Fund, receipts in the amount of \$835 and \$720, belonging the Enterprise Water and Sewer funds, respectively, were recorded in the General Fund; receipts in the amount of \$262 belonging to the Special Revenue Permissive Motor Vehicle License Tax Fund were recorded in the Special Revenue Street Construction, Maintenance, and Repair (\$243) and State Highway (\$19) funds; which violated Ohio Rev. Code § 5705.10(D).

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Village’s deposit accounts is as follows:

Demand deposits	\$493,275
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Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Income Taxes

The Village levies a municipal income tax of 1.00 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.

Note 6 – Risk Management/Public Entity Risk Pool

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.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity’s) policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

Cash and investments	\$ 40,318,971
Actuarial liabilities	\$14,111,510

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Seven Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2020.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Social Security

Other Village 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, 2020.

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority (7278)	\$90,122	2.96%
Ohio Water Development Authority 3281	15,636	2.20%
Ohio Public Works Commission (CP42C)	50,000	0.00%
Ohio Public Works Commission (CP06L)	47,300	0.00%
Superior Federal Credit Union	45,428	4.50%
Total	\$248,486	

On March 31, 2016, the Village entered into loan agreement #7278 with the Ohio Water Development Authority (OWDA) for \$126,136 in wastewater treatment facility improvements. As of December 31, 2020, the principal amount outstanding was \$90,122. The project has not been completed, therefore an amortization schedule is not available.

The Ohio Water Development Authority loan (3281) is related to a sewer expansion project mandated by the Ohio Environmental Protection Agency. The loan was issued during 2000 in the total amount of \$509,336. The loan is being repaid in semiannual installments with an interest amount of 2.20% rate and matures January 1, 2021. The loan is collateralized by water receipts and the debt is being paid through the Sewer Fund – OWDA Loan No 3 Fund. The second payment due in 2020 was deferred due to the COVID-19 Pandemic.

The Ohio Public Works Commission loan (CP42C) is related to a sewer expansion project mandated by the Ohio Environmental Protection Agency. The loan was issued during 2002 in the total amount of \$500,000. The loan is being repaid in semiannual installments and matures January 1, 2022. The debt is being paid through the Sewer Fund – OPWC Loan No 4 Fund. The loan payments due for 2020 were deferred due to the COVID-19 Pandemic.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The Ohio Public Works Commission loan (CP06L) is related to water meter installation and improvements. The loan was issued during 2010 in the total amount of \$94,597. The loan is being repaid in semiannual installments and matures January 1, 2030. The debt is being paid through the Water – OPWC/OWDA Fund. The loan payments due for 2020 were deferred due to the COVID-19 Pandemic.

The Superior Credit Union loan (2019 Ford Truck/trailer) is related to general/street/water/sewer. The loan was issued during 2019 in the total amount of \$55,204. The loan will be repaid in semiannual installments with an interest amount of 4.500% rate and matures December 1, 2024. The debt is being paid through the General, Street Construction, Maintenance and Repair, Water, and Sewer Funds.

Amortization

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

Year Ending December 31:	OWDA - 3281	OPWC-CP42C	OPWC-CPO6L	SUPERIOR
2021	\$15,808	\$25,000	\$4,730	\$12,537
2022	0	25,000	4,730	12,537
2023	0	0	4,730	12,536
2024	0	0	4,730	12,537
2025	0	0	4,730	0
2026-2030	0	0	23,650	0
Total	<u>\$15,808</u>	<u>\$50,000</u>	<u>\$47,300</u>	<u>\$50,147</u>

Note 10 – Jointly Governed Organizations

Hardin County Regional Planning Commission

The 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 Village is represented by one member.

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

The Upper Scioto Valley Ambulance District

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.

Village of McGuffey, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 11 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 12 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Enterprise Fund	Total
Outstanding Encumbrances	\$2,300	\$30,755	\$0	\$3,194	\$36,249
<i>Total</i>	<u>\$2,300</u>	<u>\$30,755</u>	<u>\$0</u>	<u>\$3,194</u>	<u>\$36,249</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13– COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating cocts, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, \$2,210 was sub-granted to other governments and organization. These amounts are reflected as general government expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements

During 2020, the Village received \$43,039 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Relief Special Revenue.

VILLAGE OF MCGUFFEY
HARDIN COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types**

For the Year Ended December 31, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$7,763	\$3,328	\$11,091
Municipal Income Tax	59,918	0	59,918
Intergovernmental	17,040	25,021	42,061
Special Assessments	0	7,677	7,677
Charges for Services	4,301	0	4,301
Fines, Licenses and Permits	1,000	0	1,000
Earnings on Investments	174	112	286
Miscellaneous	20,544	318	20,862
<i>Total Cash Receipts</i>	<u>110,740</u>	<u>36,456</u>	<u>147,196</u>
Cash Disbursements			
Current:			
Security of Persons and Property	1	1,001	1,002
Public Health Services	900	0	900
Leisure Time Activities	1,500	0	1,500
Community Environment	100	0	100
Transportation	0	59,698	59,698
General Government	120,875	147	121,022
Capital Outlay	0	55,000	55,000
<i>Total Cash Disbursements</i>	<u>123,376</u>	<u>115,846</u>	<u>239,222</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(12,636)</u>	<u>(79,390)</u>	<u>(92,026)</u>
Other Financing Receipts (Disbursements)			
Loans Issued	0	54,999	54,999
Transfers Out	(50,000)	0	(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(50,000)</u>	<u>54,999</u>	<u>4,999</u>
<i>Net Change in Fund Cash Balances</i>	(62,636)	(24,391)	(87,027)
<i>Fund Cash Balances, January 1</i>	<u>129,581</u>	<u>172,202</u>	<u>301,783</u>
Fund Cash Balances, December 31			
Restricted	0	147,811	147,811
Assigned	25,002	0	25,002
Unassigned (Deficit)	41,943	0	41,943
<i>Fund Cash Balances, December 31</i>	<u>\$66,945</u>	<u>\$147,811</u>	<u>\$214,756</u>

See accompanying notes to the basic financial statements

VILLAGE OF MCGUFFEY
HARDIN COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
Enterprise Funds**

For the Year Ended December 31, 2019

Operating Cash Receipts

Charges for Services	\$241,904
Miscellaneous	3,675

Total Operating Cash Receipts 245,579

Operating Cash Disbursements

Personal Services	52,095
Employee Fringe Benefits	10,527
Contractual Services	198,416
Supplies and Materials	112,132

Total Operating Cash Disbursements 373,170

Operating Income (127,591)

Non-Operating Receipts (Disbursements)

Special Assessments	2,332
Principal Retirement	(65,879)
Interest and Other Fiscal Charges	(1,187)

Total Non-Operating Receipts (Disbursements) (64,734)

(Loss) before Transfers (192,325)

Transfers In	68,279
Transfers Out	(18,279)

Net Change in Fund Cash Balances (142,325)

Fund Cash Balances, January 1 360,921

Fund Cash Balances, December 31 \$218,596

See accompanying notes to the basic financial statements

VILLAGE OF MCGUFFEY
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1: Reporting Entity

The Village of McGuffey (the Village), Hardin County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council directs the Village. The Village provides 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.

Jointly Governed Organizations and Public Entity Risk Pools:

The Village participates in two jointly governed organizations and two public entity risk pools. Note 7, 11, and 12 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present only 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 enterprise funds.

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 Fund:

Street Construction, Maintenance and Repair Fund (2011) – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Enterprise Funds

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

Water Operating Fund (5101) – The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users of the Village.

VILLAGE OF MCGUFFEY
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Sewer Operating Fund (5201) – The sewer operating fund accounts for the provision of water treatment and distribution to the residents and commercial users of the Village.

Basis of Accounting:

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

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, 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 2019 budgetary activity appears in Note 4.

Deposits and Investments

The Village does not have any investments. All money is maintained in checking accounts.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave

VILLAGE OF MCGUFFEY
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, including subsequent year appropriations in excess of estimated resources.

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: Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$42,163 for the year ended December 31, 2019. Receipts belonging to the Enterprise Water, Water Contingency, Water – CP06L, and Refuse funds in the amounts of \$20,450, \$2,612, \$1,252, and 1,889, respectively, were recorded in Enterprise Sewer Fund which violated Ohio Rev. Code § 5705.10(D).

VILLAGE OF MCGUFFEY
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4: Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,862	\$110,740	\$6,878
Special Revenue	87,320	91,455	4,135
Enterprise	232,938	316,190	83,252
Total	\$424,120	\$518,385	\$94,265

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$131,702	\$173,865	(\$42,163)
Special Revenue	183,166	116,028	67,138
Enterprise	480,311	459,548	20,763
Total	\$795,179	\$749,441	\$45,738

Note 5: 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:

Demand Deposits	\$433,352
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Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6: Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

VILLAGE OF MCGUFFEY
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Income Taxes

The Village levies a municipal income tax of 1.00 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.

Note 7: Risk Management/Public Entity Risk Pool

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 of McGuffey is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village of McGuffey policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

Cash and investments	\$ 38,432,610
Actuarial liabilities	\$25,705,917

Note 8: Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Six 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 participant's gross salaries. The Village has paid all contributions required through December 31, 2019.

VILLAGE OF MCGUFFEY
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Social Security

Other Village 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, 2019.

Note 9: 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 10: Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority (7278)	\$88,076	2.96%
Ohio Water Development Authority 3281	31,102	2.20%
Ohio Public Works Commission (CP42C)	50,000	0.00%
Ohio Public Works Commission (CP06L)	47,300	0.00%
Superior Federal Credit Union	55,204	4.50%
Total	\$271,682	

On March 31, 2016, the Village entered into loan agreement #7278 with the Ohio Water Development Authority (OWDA) for \$126,136 in wastewater treatment facility improvements. As of December 31, 2019, the principal amount outstanding was \$88,076. The project has not been completed, therefore an amortization schedule is not available.

The Ohio Water Development Authority loan (3281) is related to a sewer expansion project mandated by the Ohio Environmental Protection Agency. The loan was issued during 2000 in the total amount of \$509,336. The loan is being repaid in semiannual installments with an interest amount of 2.20% rate and matures January 1, 2021. The loan is collateralized by water receipts and the debt is being paid through the Sewer Fund – OWDA Loan No 3 Fund.

The Ohio Public Works Commission loan (CP42C) is related to a sewer expansion project mandated by the Ohio Environmental Protection Agency. The loan was issued during 2002 in the total amount of \$500,000. The loan is being repaid in semiannual installments and matures January 1, 2022. The debt is being paid through the Sewer Fund – OPWC Loan No 4 Fund.

The Ohio Public Works Commission loan (CP06L) is related to water meter installation and improvements. The loan was issued during 2010 in the total amount of \$94,597. The loan is being repaid in semiannual installments and matures January 1, 2030. The debt is being paid through the Water – OPWC/OWDA Fund.

VILLAGE OF MCGUFFEY
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Notes to the Financial Statements
For the Year Ended December 31, 2019

The Superior Credit Union loan (2019 Ford Truck/trailer) is related to general/street/water/sewer. The loan was issued during 2019 in the total amount of \$55,204. The loan will be repaid in semiannual installments with an interest amount of 4.500% rate and matures December 1, 2024. No loan payments were due during 2019.

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

Year Ending December 31:	OWDA - 3281	OPWC-CP42C	OPWC-CPO6L	SUPERIOR
2020	\$31,617	\$25,000	\$4,730	\$12,537
2021	0	25,000	4,730	12,537
2022	0	0	4,730	12,537
2023	0	0	4,730	12,536
2024	0	0	4,730	12,537
2025-2029	0	0	18,920	0
2030	0	0	4,730	0
Total	<u>\$31,617</u>	<u>\$50,000</u>	<u>\$47,300</u>	<u>\$62,684</u>

Note 11 – Jointly Governed Organizations

Hardin County Regional Planning Commission

The 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 Village is represented by one member.

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

The Upper Scioto Valley Ambulance District

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

VILLAGE OF MCGUFFEY
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 12 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 13 - Covid-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

FINDING NUMBER 2020-001

Noncompliance Citation

Ohio Rev. Code § 9.38 states, in part, that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

Due to a lack of controls and/or a policy, thirty of the sixty seven utility receipt transactions tested (45%) were not deposited within one business day with the Fiscal Officer or the designated depository in 2020. During 2019, twenty three of the thirty eight utility receipt transactions tested (61%) and two of the twelve municipal income tax receipt transactions tested (17%) were not deposited within one business day with the Fiscal Officer or the designated depository. The Village did not have an approved policy on file allowing a different time period for deposits.

The failure to deposit receipts in a timely manner increases the risk that Village money could be lost or used for personal reasons, along with the loss of interest receipts.

The Village should implement a procedure(s) and/or control(s) to help ensure all receipts are deposited timely. If practical, the Village could adopt a policy as permitted by this Ohio Revised Code Section.

FINDING NUMBER 2020-002

Noncompliance Citation

Ohio Rev. Code § 121.22(G)(1) states, in part, “the motion and vote to hold that executive session shall state which one or more of the approved purposes listed in division (G)(1) of this section are the purposes for which the executive session is to be held” If the purpose of the executive session is to discuss one of the matters included in the personnel exception, the motion must specify which one of those specific matters will be discussed.

Possibly due to lack of understanding of the requirements for executive sessions, Council entered into executive session eight times during 2020 and 2019; however, for four of the sessions, the Minutes failed to specify the purpose of what was being discussed in the executive sessions.

The failure to follow the requirements of executive sessions may bring into the question the transparency of such meetings.

The members of Council should review the Ohio Sunshine Laws, specifically focusing on the Ohio Open Meetings Act referenced in Ohio Rev. Code Section 121.22 to develop and implement procedures to follow when utilizing executive sessions. These resources are available at www.ohioauditor.gov.

FINDING NUMBER 2020-003

Noncompliance Citation

Ohio Rev. Code § 135.14(B)(4) states subdivision treasurers must complete additional education programs approved by the Treasurer of State. The Treasurer of State issues a certificate indicating that the Treasurer has successfully completed the continuing education program. The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State, that the treasurer is not subject to the continuing education requirement because the treasurer invests or deposits public funds in the following investments only:

- (1) Interim deposits pursuant to § 135.14 (B)(3); or section 135.145 (CDAR and similar programs);
- (2) STAR Ohio pursuant to § 135.14(B)(6);
- (3) No-load money market mutual funds pursuant to § 135.14 (B)(5).

Since the Village only held deposit accounts the Fiscal Officer was exempt from training, however, the lack of an understanding of the training requirements and/or a control(s) resulted in the annual exemption form not being filed in 2020.

The failure to file the annual exemption may give the impression that the Fiscal Officer should have received additional training but failed to attend such training.

Procedures should be implemented so that the Village Fiscal Officer provides a notice of exemption to the Auditor of State, certified by the Treasurer of State or attends required training per the Ohio Rev. Code Section noted above. The annual exemption form should be filed. The Fiscal Officer should refer to <https://tos.ohio.gov/cpim>. This exemption form can be located at <https://tos.ohio.gov/cpim>.

FINDING NUMBER 2020-004

Noncompliance Citation

Ohio Rev. Code § 145.01(R)(2)(d) states, in part, that "Earnable salary" does not include reimbursement for job-related expenses authorized by the employer, including travel expenses.

Due to a lack of understanding over the definition of "Earnable salary", during 2020 and 2019, reimbursements for mileage in the amounts of \$597.84 and \$648.36, respectively were improperly paid to Village employees or officials as earnable salary.

Including mileage reimbursements in earnable salary results in the potential of withholdings being deducted from the employees' or officials' gross pay that would not be required to be withheld and also improperly increases the employees' or officials' total gross wages for the year.

The Village should implement policies and/or procedures for the reimbursement of mileage to help ensure that mileage is not paid as part of the Village employees' or officials' earnable salary/wages. In addition, the Village should consult with its Legal Representative regarding whether or not previously issued W-2s require correction.

This matter will be referred to Internal Revenue Service (IRS), the State Department of Taxation, and the Ohio Public Employees Retirement System (OPERS).

FINDING NUMBER 2020-005

Noncompliance Citation

Ohio Rev. Code § 149.43(B)(1) states, in part, that all public records responsive to the request shall be promptly prepared and made available for inspection to the requester at all reasonable times during regular business hours. A public records request dated June 10, 2019 does not appear to have been fulfilled based upon the documentation available.

Ohio Rev. Code § 149.43(E)(2) states, in part, that all public offices shall adopt a public records policy in compliance with this section for responding to public records requests. A public office that has established a manual or handbook of its general policies and procedures for all employees of the public office shall include the public records policy of the public office in the manual or handbook. The public records policy was not included in the Village Employee Handbook.

Ohio Rev. Code § 149.43(E)(1) states, in part, to ensure that all employees of public offices are appropriately educated about a public office's obligations under division (B) of this section, all elected officials or their appropriate designees shall attend training approved by the attorney general as provided in section 109.43 of the Revised Code. No elected officials or their designee has attended public records training.

As a result of neither the elected officials nor their designee attending the required records training, the officials were not fully aware of the requirement to promptly respond to public records requests, and the requirement to include the public records policy in the Village Employee Handbook.

The Village should implement a control, such as a reminder system to ensure that each elected official or their designee attend public records training for each term of office. Training should also be provided to those responsible for responding to records request to ensure they are handled in accordance with the public records policy.

FINDING NUMBER 2020-006

Noncompliance Citation

Ohio Rev. Code § 705.27 states "except as otherwise provided in the municipal charter or in section 3.061 of the Revised Code, that the treasurer, auditor, and such other officers or employees of the municipal corporation as the legislative authority directs, shall give a bond to the municipal corporation for the faithful performance of their duties, in such sum as the legislative authority fixes by ordinance or resolution. Premiums on official bonds may be paid by the municipal corporation."

A lack of understanding of the laws applicable to the Village resulted in the Income Tax Clerk not being bonded in 2020 or 2019.

The failure to require bonds of a sufficient amount or the failure to bond all individuals with access to financial resources, increases the risk of financial harm to the Village in the event of theft or errors and/or irregularities.

The Income Tax Clerk should be bonded, along with any other officials or employees who have the ability to access the Village depository accounts.

FINDING NUMBER 2020-007

Noncompliance Citation

Ohio Rev. Code § 733.81(D)(4) states that at least two hours of ethics instruction shall be included in the continuing education hours required by divisions (D)(1) and (2) of this section.

Due to a lack of understanding of the training requirements or internal controls over training, the former Fiscal Officer failed to obtain the required two hours of ethics training for the term of office that ended March 31, 2020.

The failure to attend the required ethics training is a violation of the Ohio Revised Code and could result in the Fiscal Officer lacking the appropriate knowledge to perform the duties of the office.

A control(s) or procedure(s) should be implemented by the Village to ensure that the Fiscal Officer attends all required continuing education required per the Ohio Rev. Code, including ethics training.

FINDING NUMBER 2020-008

Noncompliance Citation

Ohio Rev. Code § 5705.10(D) states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Due to a lack of internal controls to ensure that restricted receipts are recorded in the correct fund, the following errors were identified:

- In 2020, Special Assessment receipts in the amount of \$5,274 belonging to the Special Revenue Special Assessment – Lights Fund; and delinquent Charges for Services receipts in the amount of \$835 and \$720, belonging the Enterprise Water and Sewer funds, respectively, were recorded in the total amount of \$6,829 as Property and Other Taxes receipts in the General Fund. The related fees were improperly netted with the property and other taxes receipts in the General Fund, instead of recorded as general government disbursements in the Special Assessment - Lights, Water, and Sewer funds in the amounts of \$36, \$40 and \$15, respectively;
- In 2020, Permissive motor vehicle license tax receipts in the amount of \$262 belonging to the Special Revenue Permissive Motor Vehicle License Tax Fund were recorded in the Special Revenue Street Construction, Maintenance, and Repair (\$243) and State Highway (\$19) funds;
- In 2020, Charges for Services receipts in the amount of \$14,393 were recorded in the Enterprise Sewer Fund instead of the Enterprise Water, Water Contingency, and Water – CP06L funds in the amounts of \$8,748, \$2,504, and \$1,306, respectively; and
- In 2019, Charges for Services receipts in the amount of \$24,374 were recorded in the Enterprise Sewer Fund instead of the Enterprise Water, Water Contingency, Water – CP06L, and Refuse funds in the amounts of \$20,450, \$2,612, \$1,252, and \$1,889, respectively.

The accompanying financial statements and the accounting records have been adjusted to correct these errors.

The Fiscal Officer and Council or a sub-committee of Council such as a finance committee, should review the accounting records during the year to help identify and correct errors such as those identified above.

FINDING NUMBER 2020-009

Noncompliance Citation

Ohio Rev. Code § 5705.14(E) states money may be transferred from the general fund to any other fund of the subdivision. OAG Opinion 89-075 provides a governing board resolution passed by a simple majority of the board members to transfer funds. Except in the case of transfer pursuant to division (E) of this section, transfers authorized by this section shall only be made by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members.

The lack of internal controls and/or knowledge of the Ohio Revised Code for transfers, resulted in a transfer of \$18,279 in 2019 from the Sewer Fund to the Sewer Debt No. 3 Fund was recorded in the accounting system; however, the transfer was not approved by the Village Council. The use of the transfer was a permissible disbursement from the Sewer Fund. No adjustment was necessary to accounting records or accompanying financial statements.

Failure to have Council approve transfers could result in transfers being posted that are not within the intention of the Village Council and/or could result in illegal transfers.

The Village should have a procedure(s) and/or control(s) in place to ensure all transfers are presented to and approved by Council before the transfer is posted to the accounting system.

FINDING NUMBER 2020-010

Noncompliance Citation

Ohio Rev. Code § 5705.15 states that in addition to transfers authorized by § 5705.14, the taxing authority of any political subdivision may, in the manner provided for in this section and in § 5705.16, transfer from one fund to another any public funds under its supervision by passing a resolution from a majority of the board and obtaining the approval of the Tax Commissioner and the Court of Common Pleas.

The lack of internal controls and/or knowledge of the Ohio Revised Code for transfers, resulted in a transfer of \$6,268 in 2020 from the Street Construction, Maintenance and Repair fund to the Enterprise Debt Service-2019 Ford Truck fund. The transfer was completed in order to provide the amount of the first debt payment for 2020 from the Street Construction, Maintenance and Repair fund to the Enterprise Debt Service-2019 Ford Truck fund. The Village did not obtain approval of the Tax Commissioner and the Court of Common Pleas for the transfer. The payment from the Street Construction, Maintenance and Repair fund was an appropriate expenditure due to the fact that the fund received and expended the debt proceeds; however, the activity should not have been posted as a transfer but should have been posted as a debt payment from the fund. The accompanying financial statements were adjusted to remove this transfer and to present it as a debt payment from the Street Construction, Maintenance and Repair Fund.

Failure to ensure that transfers are allowable could result in the illegal expenditure of Village funds.

The Village should implement a control(s) and/or procedures to help assure that transfers are made in accordance with the requirements of the Ohio Revised Code.

FINDING NUMBER 2020-011

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

**FINDING NUMBER 2020-011
(Continued)**

Due to the lack of controls over the monitoring of budget versus actual spending, in 2020 the General Fund had expenditures plus encumbrances of \$124,280 which were \$2,285 greater than appropriations of \$121,995. In 2019 the General Fund had expenditures plus encumbrances of \$173,865 which were \$42,163 greater than appropriations of \$131,702.

Expenditures in excess of appropriations could result in deficit spending and/or the use of another fund's money to cover the expenditures.

A control(s) or procedure(s), such as the periodic review of appropriations, disbursements, and encumbrances to ensure that spending is within appropriations, should be performed by the Council.

FINDING NUMBER 2020-012

Noncompliance Citation

Ordinance No. 19-7 states in part that the Village of McGuffey shall hereby convert the method and rate of pay of the Village of McGuffey Fiscal Officer to \$16 per hour for up to forty (40) hours of service per week. The Fiscal Officer shall be entitled to collect the previously legislated over time rate, for more than forty (40) weekly hours, with the approval of either the Mayor or the President of Council.

Due to a lack of controls over the payment of wages, the current Fiscal Officer was paid at a rate of \$15 per hour since her appointment on November 9, 2020. In addition, the former Fiscal Officer, was paid 28 hours of overtime in 2019 per her timesheet with check #21575 dated March 29, 2019 with the authorization being through Council's approval of a monthly payment listing which included the payee, amount, and date of the check.

The lack of controls over the approval or wages can result in the over or under payment of wages and the payment of unnecessary overtime. The overpayment or the payment of unsupported wages can result in findings for recovery against those receiving and approving the payment.

The Village should develop controls and procedures over the payment of wages including but not limited to an independent review of time sheets and the approval of overtime prior to the payment of wages.

FINDING NUMBER 2020-013

Noncompliance Citation / Finding for Recovery - Overpayment of Officials

Village Ordinance No. 99-05 adopted on January 18, 1999 indicates that Village Council Members, Board of Public Affairs Members, and the Mayor shall be paid \$75 per meeting attended concerning village business.

During 2019, documentation supported the attendance of sixteen meetings by former Mayor Gregory Howard, however he was paid for nineteen meetings as the result of being paid for attending two meetings when the Village held joint Council and Board of Public Affairs meetings on January 21, 2019, March 9, 2019 and March 11, 2019, which resulted in an overpayment of \$225.

Village Ordinance No. 93-09-A adopted on March 8, 1993 indicates that the Mayor shall be paid a \$2,000 salary.

**FINDING NUMBER 2020-013
(Continued)**

During 2019, former Mayor Gregory Howard was paid a total of \$1,100 for the period of January to June 2019, which resulted in the overpayment of former Mayor Gregory Howard in the amount of \$100. During 2019, former Mayor Drake J. Krummrey was paid a total of \$1,100 for the period of July to December 2019, which resulted in the overpayment of former Mayor Drake J. Krummrey in the amount of \$100.

During 2020, former Mayor Drake J. Krummrey was paid a total of \$2,200 for the period of January to December 2020, which resulted in the overpayment of former Mayor Drake J. Krummrey in the amount of \$200.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against former Mayor, Gregory Howard, and his bonding company, Liberty Mutual Surety, jointly and severally, in the amount of \$325, and in favor of the General Fund, in the amount of \$325.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against former Mayor, Drake J. Krummrey, and his bonding company, Liberty Mutual Surety, jointly and severally, in the amount of \$300 and in favor of the General Fund in the amount of \$300.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Former Fiscal Officer, Tammy Jo Carter, signed warrants resulting in \$575 in improper payments to former Mayor, Gregory Howard, and former Mayor, Drake J. Krummrey. Accordingly, former Fiscal Officer, Tammy Jo Carter, will be jointly and severally liable in the amount of \$575 and in favor of the General Fund in the amount of \$575, to the extent that recovery of restitution is not obtained from former Mayor, Gregory Howard, and former Mayor, Drake J. Krummrey. Former Fiscal Officer, Tammy Jo Carter, former Mayor Gregory Howard, and former Mayor Drake J. Krummrey's bonding company is Liberty Mutual Surety.

The Village should implement a procedure(s) and/or control(s) to help ensure that documentation exists to support the number of meetings for which officials are paid and to support that officials are paid in accordance with the salary amount in approved ordinances. Such reviews could be the review of attendance documented in the Minutes when approving the prior Minutes and also review of ordinances prior to payments of salary amounts.

FINDING NUMBER 2020-014

Noncompliance Citation

Ohio Water Development Authority (OWDA) Agreement Loan #3281 Article V Section 5.6 states that any insurance policy issued pursuant to Section 5.4 hereof shall be so written or endorsed as to make losses, if any, payable to the OWDA and the Village as their respective interests may appear.

Due to a lack of understanding of the debt agreement, the Village obtained insurance for the appropriate liability amount, however the insurance policy did not specify that losses are to be made payable to OWDA.

The failure to follow requirements outlined in OWDA loan agreements could have a detrimental impact of the current loan agreements and/or result in future loss of funding from OWDA.

**FINDING NUMBER 2020-014
(Continued)**

The Village should modify the insurance policy to include the OWDA as a payee. Future and existing debt agreements should be reviewed to help ensure compliance with all requirements.

FINDING NUMBER 2020-015

Noncompliance Citation

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states, in part, the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

For payment #30157 dated June 11, 2019 for the Village's Visa card, there were finance charges for \$64.39 due to carrying a balance from the prior period. Also in 2019, for payment #21553, for the Village's American Electric Power account, the Village incurred an estimated late fee of \$14 due to a balance that was not paid in full from the prior period.

The lack of a control to ensure that invoices are process timely and the subsequent review of paid invoices may have contributed to the payment of the finance charges (late fees).

The payment of late fees is not an efficient use of financial resources. In some situations, findings for recovery can be issued against those incurring and those authorizing the payment of late fees.

The Village should implement policies and/or procedures to help ensure that all credit card statements are reviewed and all payments are made in their entirety.

FINDING NUMBER 2020-016

Internal Control Deficiency – Errors in Check Numbers

The Village should have procedures and controls in place to prevent and detect errors in the information recorded in the accounting system.

A lack of controls over the verification of the vendor listed on the check to the vendor resulted in errors between the number on the check issued and the check number in the accounting system. During 2019, check number 30131 was written to the Auditor of State, but the accounting system Payment Report showed this check as check number 30130, and the actual check number 30130 was written to American Electric Power. Also during 2019, check number 30141 was written to Government Accounting Solutions, but the accounting system Payment Report showed this check as check number 30140, and actual check number 30140 was written to Evoqua Accounting Solutions Inc.

**FINDING NUMBER 2020-016
(Continued)**

Differences between the actual check number and the check number in the accounting system makes it more difficult to detect other errors and/or irregularities in a timely manner.

To reduce the risk of such errors, a control and/or procedure should be implemented to ensure that when checks are loaded the numbers are sequential and there are no gaps in the check numbers.

FINDING NUMBER 2020-017

Internal Control Deficiency – Recording of Income Tax Receipts

Income tax receipts should be recorded in the accounting system when collected.

A lack of a control for the recording of income tax receipts in the accounting system at the time collected resulted in some receipts not being recorded timely. During 2020, all eight (100%) of the income tax receipts tested were not recorded in the accounting system until two to four weeks after collection. During 2019, all twelve (100%) of the income tax receipts tested were not recorded in the accounting system until one to four weeks after collection.

The failure to record income tax receipts when collected increases the risk that errors and/or irregularities will not be detected in a timely manner.

The Village should implement a procedure(s) and/or control(s) to ensure income tax receipts are recorded in the accounting system when received or within a reasonable time period.

FINDING NUMBER 2020-018

Internal Control Deficiency – Income Tax Bank Account

All accounts under the control of the Village should be included in the accounting records and monthly bank to book reconciliations.

Due to a lack of controls over the completeness of account balances the balance of the income tax checking account was not included in the accounting records or on the bank to book reconciliation at year-end. At December 31, 2020, the balance in the account was \$3,611 and at December 31, 2019, the balance in the account was \$6,824. The accompanying financial statements have been adjusted to correct these recording errors.

Failure to include the balance and activity of the income tax checking account on the financial statements at year-end could result in the material understatement of the Village's fund balance and/or activity at year-end. This practice also increases the risk of errors and/or irregularities not being detected in a timely manner.

To help improve accountability and to reduce the risk of errors and/or irregularities not being detected within a timely manner, Council should be provided with copies of the monthly income tax bank statement and this activity should be included in the overall reconciliation of the Village and the balance should be included in the year-end fund balances reported on the financial statements.

FINDING NUMBER 2020-019

Internal Control Deficiency – Allocation of Wages

The Village should have policies and/or procedures in place related to the allocation of employees' wages to the proper funds based on the employees' job duties.

Due to a lack of controls over the tracking of hours worked by job assignment, the following 2020 and 2019 paychecks for employees were allocated to the Street Construction, Maintenance and Repair Fund; the Water Fund; and the Sewer Fund without evidence of Council's approval of the allocation or timesheets that clearly supported the hours that should be charged to each fund.

- Check #30578 dated February 21, 2020 in the amount of \$420
- Check #30669 dated April 9, 2020 in the amount of \$784
- Check #31019 dated November 25, 2020 in the amount of \$401.50
- Check #30172 dated June 14, 2019 in the amount of \$342
- Check #30291 dated August 23, 2019 in the amount of \$609.60

The lack of clear evidence to support the allocation of wages to each fund or Council's approval of the allocation, could result in charges to funds that are not within the intention of Council and/or unallowable payments being made from restricted funds. Unsupported payments from restricted funds may result in findings for adjustment to repay the restricted fund(s).

Council should implement controls and/or procedures for allocating payroll to funds based on timesheets for each pay period. Absent timesheets to support the allocation, Council may predetermine the allocation for specific employees to funds, however, a predetermined allocation should be based on past work history or the specific hours that each employee is assigned to tasks that are allowable to be paid from each fund. Also Council should remember that a predetermined allocation may need to be modified to agree with actual time work for a pay period(s) due to unexpected circumstances or events.

FINDING NUMBER 2020-020

Internal Control Deficiency – Bank to Book Reconciliations

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

**FINDING NUMBER 2020-020
(Continued)**

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council is responsible for reviewing the reconciliations and related support.

Due to a lack of controls over bank to book reconciliations, at December 31, 2020 and 2019, there were unsupported outstanding payments in the General Fund in the amount of \$784 and \$1,858, the Street Construction Maintenance and Repair Fund in the amount of \$103 and \$274, the Water Fund in the amount of \$169 and \$603, and in the Sewer Fund in the amount of \$157 and \$419, respectively. The checks totaling these amounts were payments that were recorded in the accounting system twice and thus should not have been included as outstanding payments at year-end.

The accompanying financial statements and accounting records have been adjusted to correct these recording errors.

Unresolved variances increase the risk that errors and/or irregularities will not be detected in a timely manner.

The Village should implement procedures and/or controls to review the reconciliations for accuracy and completeness and should review the lists of outstanding payments each month in order to determine whether the amounts listed as outstanding are properly reported.

FINDING NUMBER 2020-021

Internal Control Deficiency – Refuse Billings

Procedures and/or controls should be in place for the refuse service started by the Village in 2020 to ensure that all customers that are provided refuse collection services are billed for the services being provided.

Due to a lack of controls over the completeness refuse billings, three out of sixty-seven (4%) of the transactions tested for 2020 were provided with refuse collection services, but were not billed for this service.

Failure to correctly charge customers for services provided resulted in a loss of actual receipts for the Village in the amount of \$36.75 and projected receipts of \$1,621.

The Village should review its refuse billing process and implement procedures and/or controls to ensure that all customers are being billed for services provided by the Village. Also, the Village should review all customer accounts to ensure billing for refuse services. For those not billed, the Village should consult with its Legal Representative for guidance is billing for past services.

FINDING NUMBER 2020-022

Internal Control Deficiency – Utility Credit Card Payments

During 2019, the Village began accepting utility credit card payments through a Square Reader system. When accepting credit card payments, the Village should have procedures and/or controls in place to ensure that the systems-generated receipt properly identifies the account or name to which the payment is being made and to ensure the accuracy of the payments received.

**FINDING NUMBER 2020-022
(Continued)**

A lack of controls over the collection of utility receipts through credit card payments resulted in the credit card payments received by the Village not printing the customer's name or account number on the systems-generated receipt, instead the customer name was handwritten on the receipt by the Village employee receiving the payment. Also, during the collection of the credit card payments, the Village individual collecting the payment included a calculation of the amount of fees and charges that were estimated to need paid by the customer based on the type of credit card being used.

The calculation of the fees and charges was not always accurately computed which resulted in a payment made by the customer that varied from the actual charge made after the transaction was processed by the credit card company. The overage/underage related to the variance in the payments was added to or subtracted from the customer's account when the money was received for the credit card transaction. When multiple credit card payments were received on the same day, the Village was not able to determine whose account these variances should be added to, so the variance was divided evenly among each customer that had made a payment.

Failure to have the customer's name or account printed on the systems-generated receipt could lead to a payment being applied to the wrong account. Failure to be able to determine the correct amount of fees and charges on credit card payments could lead to customers being charged the improper amount and could result in payments not being properly applied to the correct account. In addition, other errors and/irregularities may occur and not be detected in a timely manner.

The Village should implement procedures to ensure that all credit card receipts include a printed systems-generated receipt that includes the name or account number of the customer making the payment. Also the Village should implement procedures to determine how to properly calculate the fees and charges on credit card payments so that variances do not occur between what was billed and what was received by the customer.

FINDING NUMBER 2020-023

Internal Control Deficiency – Financial Reporting Errors

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to a lack of internal controls the following errors were identified in the 2020 and 2019 financial statements and/or accounting records:

2020

- Property Tax receipts in the General Fund were recorded net of auditor/treasurer fees which resulted in the understatement of Property Tax receipts and General Government disbursements in the amount of \$751;
- Homestead and Rollback receipts in the amount of \$780 were recorded as Property and Other Taxes receipts instead of Intergovernmental receipts in the General Fund;
- Special assessments receipts in the amount of \$2,077 were recorded as Property and Other Taxes receipts instead of Special Assessments receipts in the Special Revenue Special Assessment – Lights Fund;

FINDING NUMBER 2020-023
(Continued)

- Principal Retirement in the amount of \$4,628 and Interest and Fiscal Charges in the amount of \$1,620 were recorded in the Special Revenue Street Construction, Maintenance, and Repair Fund as Transfers Out;
- On-behalf payments, in the amount of \$23,232, made by Hardin County for engineering work for a revitalization projects was not recorded as memo Intergovernmental Receipts and Capital Outlay in a Capital Projects Fund;
- Activity related to the Enterprise Refuse Fund was recorded within a Custodial Fund instead of an Enterprise Refuse Fund. This resulted in adjustments to move \$25,864 in Charges for Services receipts, \$5,000 in Transfers In, \$38 in Interest and Other Fiscal Charges disbursements, \$28,373 in Contractual Services disbursements, and an Ending Fund Balance of \$2,273 from a Custodial Fund to an Enterprise Fund; and
- A payment to a vendor in the amount of \$2,578, for Contractual Services in the amount of \$2,578 was recorded as Principal Retirement disbursements, instead of contractual services disbursements in the Sewer – OWDA #7278 Fund.

2019

- Property Tax receipts in the General Fund were recorded net of auditor/treasurer fees which resulted in the understatement of Property Tax receipts and General Government disbursements in the amount of \$1,137;
- Homestead and Rollback receipts in the amount of \$768 were recorded as Property and Other Taxes receipts instead of Intergovernmental receipts in the General Fund;
- At December 31, 2019, subsequent year appropriations in the General Fund that exceeded estimated receipts by \$25,002 were classified as unassigned fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 16 (GASB Codification 1800.176) – *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 balance; and
- General Fund Advances In and Out were overstated by \$40,000 as a result of not being approved by Council, Advances Out were overstated by \$10,000 and Transfers Out were understated by \$10,000 as a result of recording a Transfer Out as an Advance Out;
- Special assessments receipts in the amount of \$7,677 were recorded as Property and Other Taxes receipts instead of Special Assessments receipts in the Special Revenue Special Assessment – Lights Fund;
- Interest and Other Fiscal Charges receipts in the amount of \$1,187 were recorded as Principal Retirement in the Enterprise Sewer Debt No. 3 Fund; and
- General Fund Advances In were reduced by \$40,000, Advances Out were reduced by \$50,000, Transfers Out were increased by \$10,000; Water Fund Advances In and Advances Out were reduced by \$10,833; and Sewer Fund Advances In were decreased by \$39,177, Advances Out were decreased by \$29,167, and Transfers In were increased by \$10,000, to eliminate advance activity that was not approved by Council and to record transfer activity that was approved by Council.

The notes to the financial statements included errors such as, but not limited to, errors in the budgetary notes and the debt amortization tables.

**FINDING NUMBER 2020-023
(Continued)**

The accompanying financial statements and notes to the financial statements have been adjusted to correct these recording errors. In addition, the Village has reclassified the Refuse Fund from a Custodial Fund to an Enterprise Fund in the accounting records.

Other recording errors ranging from \$489 to \$3,200 were not adjusted in the accompanying financial statements.

Errors in the financial statements and notes to the financial statements may impact the user's understanding of the financial operations, the ability to make sound financial decisions, and result in the material misstatement of the financial statements and notes.

The Fiscal Officer and Council or a sub-committee of Council such as a finance committee, should review the accounting records during the year and the annual financial statements and notes to the financial statements to help identify and correct errors such as those identified above.

FINDING NUMBER 2020-024

Internal Control Deficiency – Lack of Support for Credit Card Transactions

Maintaining supporting documentation for disbursements is essential in assuring the Village financial statements are not materially misstated and that all disbursements are made for a proper public purpose. Additionally, **Ohio Rev. Code § 9.21** requires the legislative authority of a political subdivision that holds a credit card to adopt a written policy for the use of credit card accounts, including a procedure for submitting itemized receipts to the fiscal officer or the fiscal officer's designee. The Village had a credit card policy that states "All documentation for credit card purchases must be given to the Fiscal Officer within 3 business days of a purchase or receipt of merchandise. In the event documentation is lost or destroyed a Lack-of-Documentation Waiver Statement must be submitted to the Fiscal Officer within 3 business days."

The lack of understanding of the credit card policy or a lack of internal controls resulted in the following: In July 2020, a credit card statement was paid which did not include supporting documentation for charges to Sam's Club in the amount of \$66.88 and to Hobby Lobby in the amount of \$21.36. In January 2019, a credit statement was paid which did not include supporting documentation for charges to Menards in the amount of \$172.25, along with a credit voucher in the amount of (\$10.80).

The checks for these disbursements were signed by former Fiscal Officer, Tammy Jo Carter and there was no evidence of approval by Council, such as approved purchase orders. Council approved the check listing which included these checks; however, the check listing did not contain detailed information for the disbursements.

Failure to maintain supporting documentation for disbursements can increase the risk of fraud, result in financial statement misstatements, and disbursements that are not for a proper public purpose.

The Village should implement a control(s) and/or procedure(s) to ensure supporting documentation is maintained for each disbursement. Such a control(s) and/or procedure(s) could include Council not approving the check listing for credit card statements without first verifying the existence of supporting documentation for each transaction on the statement.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020-2019**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2018-001	Deposits of Public Money	No	Repeated as Finding 2020-001
2018-002	Failure to inform employees of Reporting System and confirmation of receiving	Yes	
2018-003	Purpose of Executive Sessions	No	Repeated as Finding 2020-002
2018-004	Failure to maintain required ledgers	Yes	
2018-005	Public records policy	No	Repeated as Finding 2020-005
2018-006	Requirements of Bonds	No	Repeated as Finding 2020-006
2018-007	Certification of expense	Yes	
2018-008	OWDA Loan Agreement on Insurance Policy	No	Repeated as Finding 2020-014
2018-009	Overpayment to board Members	No	Repeated as Finding 2020-013
2018-010	Segregation of Duties	Yes	
2018-011	Review of Budget verses Actual Activity Reports and Bank Reconciliations	Yes	
2018-012	Income Tax Bank Acct.	No	Repeated as Finding 2020-018
2018-013	Policy for Disbursements	Yes	
2018-014	Timely Recording of Income Tax Receipts	No	Repeated as Finding 2020-017
2018-015	Approval of Utility rates	Yes	
2018-016	Accuracy of Financial Reporting	No	Repeated as Finding 2020-023

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MCGUFFEY

HARDIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 3/24/2022

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