

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

*Financial Statements*  
**(Audited)**

For The Years Ended  
December 31, 2013 and 2012

**RAY HAZLETT, CLERK/TREASURER**





# Dave Yost • Auditor of State

Village Council  
Village of Sugar Grove  
101 Bridge Street  
Sugar Grove, Ohio 43155

We have reviewed the *Independent Auditor's Report* of the Village of Sugar Grove, Fairfield County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Sugar Grove is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

June 26, 2014

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**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report**

Village of Sugar Grove  
Fairfield County  
101 Bridge Street  
Sugar Grove, Ohio 43155

To the Members of Council and Mayor:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Sugar Grove, Fairfield County, Ohio, as of and for the years ended December 31, 2013 and 2012.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village of Sugar Grove's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village of Sugar Grove's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

Members of Council and Mayor  
Village of Sugar Grove  
Page Two

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Sugar Grove as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Sugar Grove, Fairfield County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matters***

As discussed in Note 10 to the financial statements, during 2012, the Village of Sugar Grove adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We did not modify our opinion regarding this matter.

As described further in Note 10 during 2012, the Village of Sugar Grove changed its accounting basis from Governmental Accounting Standard No. 34 *Basic Financial Statements - Cash Basis* to the cash (regulatory) basis of accounting.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2014, on our consideration of the Village of Sugar Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Sugar Grove's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 9, 2014

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Permanent	
Cash receipts:				
Property and local taxes	\$ 132,037	\$ -	\$ -	\$ 132,037
Intergovernmental	19,155	20,027	-	39,182
Fines, licenses, and permits	5,800	350	-	6,150
Interest	505	166	107	778
Miscellaneous	3,297	-	-	3,297
Total cash receipts	<u>160,794</u>	<u>20,543</u>	<u>107</u>	<u>181,444</u>
Cash disbursements:				
Current:				
Security of persons and property	48,079	-	-	48,079
Public health services	240	-	-	240
Leisure time activities	496	216	-	712
Community environment	7,758	-	-	7,758
Transportation	-	19,544	-	19,544
General government	62,864	-	-	62,864
Capital outlay	7,000	-	-	7,000
Total cash disbursements	<u>126,437</u>	<u>19,760</u>	<u>-</u>	<u>146,197</u>
Total cash receipts over cash disbursements	<u>34,357</u>	<u>783</u>	<u>107</u>	<u>35,247</u>
Other financing receipts:				
Operating transfers out	(7,900)	-	-	(7,900)
Total other financing receipts	<u>(7,900)</u>	<u>-</u>	<u>-</u>	<u>(7,900)</u>
Net change in fund cash balances	26,457	783	107	27,347
Fund cash balances, January 1, 2013	<u>154,459</u>	<u>73,263</u>	<u>5,107</u>	<u>232,829</u>
Fund cash balances, December 31, 2013				
Nonspendable	-	-	5,000	5,000
Restricted	-	74,046	-	74,046
Assigned	1,272	-	214	1,486
Unassigned	179,644	-	-	179,644
Fund cash balances, December 31, 2013	<u>\$ 180,916</u>	<u>\$ 74,046</u>	<u>\$ 5,214</u>	<u>\$ 260,176</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
BALANCES (CASH BASIS) - PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 168,949	\$ -	\$ 168,949
Total operating cash receipts	168,949	-	168,949
Operating cash disbursements:			
Personal services	19,489	-	19,489
Employee fringe benefits	6,019	-	6,019
Contractual services	115,321	-	115,321
Supplies and material	10,221	-	10,221
Total operating cash disbursements	151,050	-	151,050
Operating income/(loss)	17,899	-	17,899
Nonoperating cash receipts/(disbursements):			
Intergovernmental	51,200	-	51,200
Fines, licenses and permits	-	2,942	2,942
Proceeds of notes	151,649	-	151,649
Other financing sources	-	43	43
Capital outlay	(173,476)	-	(173,476)
Other financing uses	-	(3,609)	(3,609)
Debt service:			
Principal	(23,395)	-	(23,395)
Interest	(13,758)	-	(13,758)
Total nonoperating cash receipts/(disbursements)	(7,780)	(624)	(8,404)
Income/(loss) before operating transfers and advances	10,119	(624)	9,495
Transfers in	7,900	-	7,900
Net income/(loss)	18,019	(624)	17,395
Fund cash balances, January 1, 2013	254,794	624	255,418
Fund cash balances, December 31, 2013	\$ 272,813	\$ -	\$ 272,813

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Permanent	
Cash receipts:				
Property and local taxes	\$ 124,295	\$ 2,885	\$ -	\$ 127,180
Intergovernmental	21,440	17,137	-	38,577
Fines, licenses, and permits	5,769	310	-	6,079
Interest	418	97	50	565
Miscellaneous	2,277	10	-	2,287
Total cash receipts	154,199	20,439	50	174,688
Cash disbursements:				
Current:				
Security of persons and property	43,004	-	-	43,004
Leisure time activities	250	-	-	250
Community environment	667	-	-	667
Transportation	-	21,049	-	21,049
General government	84,195	-	-	84,195
Debt service:				
Principal retirement	610	-	-	610
Total cash disbursements	128,726	21,049	-	149,775
Total cash receipts over cash disbursements	25,473	(610)	50	24,913
Net change in fund cash balances	25,473	(610)	50	24,913
Fund cash balances, January 1, 2012	128,986	73,873	5,057	207,916
Fund cash balances, December 31, 2012				
Nonspendable	-	-	5,000	5,000
Restricted	-	73,263	-	73,263
Assigned	131,846	-	107	131,953
Unassigned	22,613	-	-	22,613
Fund cash balances, December 31, 2012	\$ 154,459	\$ 73,263	\$ 5,107	\$ 232,829

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
BALANCES (CASH BASIS) - PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 177,005	\$ -	\$ 177,005
Total operating cash receipts	<u>177,005</u>	<u>-</u>	<u>177,005</u>
Operating cash disbursements:			
Personal services	15,914	-	15,914
Employee fringe benefits	2,173	-	2,173
Contractual services	83,644	-	83,644
Supplies and material	12,372	-	12,372
Total operating cash disbursements	<u>114,103</u>	<u>-</u>	<u>114,103</u>
Operating income/(loss)	<u>62,902</u>	<u>-</u>	<u>62,902</u>
Nonoperating cash receipts/(disbursements):			
Intergovernmental	35,875	-	35,875
Fines, licenses and permits	-	4,175	4,175
Proceeds of notes	36,043	-	36,043
Capital outlay	(58,670)	-	(58,670)
Other financing uses	-	(3,661)	(3,661)
Debt service:			
Principal	(22,668)	-	(22,668)
Interest	(11,855)	-	(11,855)
Total nonoperating cash receipts/(disbursements)	<u>(21,275)</u>	<u>514</u>	<u>(20,761)</u>
Net income/(loss)	41,627	514	42,141
Fund cash balances, January 1, 2012	<u>213,167</u>	<u>110</u>	<u>213,277</u>
Fund cash balances, December 31, 2012	<u>\$ 254,794</u>	<u>\$ 624</u>	<u>\$ 255,418</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sugar Grove, Fairfield County, (the "Village"), as a body corporate and politic. A publicly elected six-member Council governs the Village. The Village provides general government services, water, sewer and sanitation utilities, maintenance of Village roads and bridges, park operations and police services.

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**

The most significant of the Village's accounting policies are described below.

**A. FUND ACCOUNTING**

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

**General Fund**

The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

**Special Revenue Funds**

These funds account for and report the proceeds of specific revenues 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 & Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintain and repair Village streets.

**Enterprise Funds**

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

*Water Fund* - This fund receives charges for services from residents to cover the costs of providing the citizens of the Village with water services.

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Sewer Fund* - This fund receives charges for services from residents to cover the costs of providing the citizens of the Village with sewer services.

*Sanitation Fund* - This fund receives charges for services from residents for the garbage and trash services provided to the citizens of the Village and commercial users.

Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court operations. The Village Mayor's Court discontinued operations in October of 2013.

**B. ACCOUNTING BASIS**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

**C. BUDGETARY PROCESS**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control (2013) and the fund level (2012), and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. 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.

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not timely encumber all commitments required by Ohio Law.

A summary of 2013 and 2012 budgetary activity appears in Note 5.

D. Fund Balance

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

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in 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.

**E. DEPOSITS AND INVESTMENTS**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**F. PROPERTY, PLANT AND EQUIPMENT**

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

**G. 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 SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

**NOTE 3 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$ 527,989	\$ 483,247
Total deposits	<u>527,989</u>	<u>483,247</u>
U.S. Treasury Bond	<u>5,000</u>	<u>5,000</u>
Total investments	<u>5,000</u>	<u>5,000</u>
Total deposits and investments	<u>\$ 532,989</u>	<u>\$ 488,247</u>

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

*Investments:* The U.S. Treasury Bond is held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

**NOTE 4 - INTERFUND ACTIVITY**

The Village had the following transfers for the year ended December 31, 2013:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$7,900
 <u>Enterprise</u>		
Sewer Line Replacement	<u>7,900</u>	<u>-</u>
Total	<u>\$ 7,900</u>	<u>\$ 7,900</u>

The above transfer was made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.



**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

**NOTE 5 - BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 131,888	\$ 160,794	\$ 28,906
Special Revenue	19,950	20,543	593
Permanent	-	107	107
Enterprise	<u>464,002</u>	<u>379,698</u>	<u>(84,304)</u>
Total	<u>\$ 615,840</u>	<u>\$ 561,142</u>	<u>\$ (54,698)</u>

2013 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 259,317	\$ 135,609	\$ 123,708
Special Revenue	71,165	21,919	49,246
Enterprise	<u>506,247</u>	<u>361,939</u>	<u>144,308</u>
Total	<u>\$ 836,729</u>	<u>\$ 519,467</u>	<u>\$ 317,262</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 32,500	\$ 154,199	\$ 121,699
Special Revenue	5,288	20,439	15,151
Permanent	-	50	50
Enterprise	<u>42,250</u>	<u>248,923</u>	<u>206,673</u>
Total	<u>\$ 80,038</u>	<u>\$ 423,611</u>	<u>\$ 343,573</u>

2012 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 167,935	\$ 133,143	\$ 34,792
Special Revenue	46,200	21,513	24,687
Enterprise	<u>209,569</u>	<u>208,053</u>	<u>1,516</u>
Total	<u>\$ 423,704</u>	<u>\$ 362,709</u>	<u>\$ 60,995</u>

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 6 - PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located within the Village.

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

**NOTE 7 - LOCAL INCOME TAX**

The Village levies a municipal income tax of .75 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. The Village contracts with the Regional Income Tax Agency for its collection and processing of its income tax.

**NOTE 8 - DEBT**

At December 31, 2013 and December 31, 2012, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/2013</u>	<u>Balance at 12/31/2012</u>
OWDA Wastewater Treatment Plant Improvements Design - #6274	\$ 68,615	\$ 15,026
OWDA Water Treatment Plant Improvements Design - #5732	42,340	34,638
OPWC Waterline Replacement Phase I - #CQ16K	177,845	188,965
OPWC Sanitary Sewer Improvement - #CQ07N	34,155	35,375
OWDA Waterline Replacement - #4859	224,704	229,529
OPWC Waterline Replacement Phase II - CQ22L	60,440	64,102
OPWC Sanitary Sewer Rehabilitation Phase II - CT38P	101,920	14,130
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 710,019</u>	<u>\$ 581,765</u>

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 8 - DEBT - (Continued)**

Transactions for the years ended December 31, 2013 and December 31, 2012 are summarized as follows:

<u>2013</u>	<u>Balance at 12/31/2012</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at 12/31/2013</u>
OWDA Wastewater Treatment Plant Improvements Design - #6274	\$ 15,026	\$ 53,589	\$ -	\$ 68,615
OWDA Water Treatment Plant Improvements Design - #5732	34,638	10,270	(2,568)	42,340
OPWC Waterline Replacement Phase I - CQ16K	188,965	-	(11,120)	177,845
OPWC Sanitary Sewer Improvement - #CQ07N	35,375	-	(1,220)	34,155
OWDA Waterline Replacement - #4859	229,529	-	(4,825)	224,704
OPWC Waterline Replacement Phase II - CQ22L	64,102	-	(3,662)	60,440
OPWC Sanitary Sewer Rehabilitatin Phase II - CT38P	14,130	87,790	-	101,920
<b>Total</b>	<b><u>\$ 581,765</u></b>	<b><u>\$ 151,649</u></b>	<b><u>\$ (23,395)</u></b>	<b><u>\$ 710,019</u></b>
<u>2012</u>	<u>Balance at 12/31/2011</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at 12/31/2012</u>
OWDA Wastewater Treatment Plant Improvements Design - #6274	\$ -	\$ 15,026	\$ -	\$ 15,026
OWDA Water Treatment Plant Improvements Design - #5732	30,319	6,887	(2,568)	34,638
OPWC Waterline Replacement Phase I - CQ16K	200,175	-	(11,210)	188,965
OPWC Sanitary Sewer Improvement - #CQ07N	36,595	-	(1,220)	35,375
OWDA Waterline Replacement - #4859	234,147	-	(4,618)	229,529
OPWC Waterline Replacement Phase II - CQ22L	67,764	-	(3,662)	64,102
OPWC Sanitary Sewer Rehabilitatin Phase II - CT38P	-	14,130	-	14,130
<b>Total</b>	<b><u>\$ 569,000</u></b>	<b><u>\$ 36,043</u></b>	<b><u>\$ (23,278)</u></b>	<b><u>\$ 581,765</u></b>

The OWDA Wastewater Treatment Plant Improvement Design #6274 loan is not yet finalized, thus, no amortization exists.

The OWDA Water Treatment Plant Improvements Design #5732 loan is not yet finalized, thus, no amortization exists; however, the Village is required to make semi-annual principal payments of \$1,284.

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

**NOTE 8 - DEBT - (Continued)**

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

Year Ending December 31,	#CQ16K OPWC Loan	
	Principal	Interest
2014	\$ 11,120	\$ -
2015	11,120	-
2016	11,120	-
2017	11,120	-
2018	11,120	-
2019 - 2023	55,600	-
2024 - 2028	55,600	-
2029	11,045	-
Total	<u>\$ 177,845</u>	<u>\$ -</u>

Year Ending December 31,	#CQ07N OPWC Loan	
	Principal	Interest
2014	\$ 1,218	\$ -
2015	1,218	-
2016	1,218	-
2017	1,218	-
2018	1,218	-
2019 - 2023	6,090	-
2024 - 2028	6,090	-
2029 - 2033	6,090	-
2034 - 2038	6,090	-
2039 - 2041	3,705	-
Total	<u>\$ 34,155</u>	<u>\$ -</u>

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

**NOTE 8 - DEBT - (Continued)**

<u>Year Ending December 31,</u>	#4859 OWDA Loan	
	<u>Principal</u>	<u>Interest</u>
	2014	\$ 5,041
2015	5,268	9,716
2016	5,505	9,479
2017	5,753	9,231
2018	6,012	8,972
2019 - 2023	34,371	40,550
2024 - 2028	42,834	32,088
2029 - 2033	53,378	21,544
2034 - 2038	<u>66,542</u>	<u>8,403</u>
Total	<u>\$ 224,704</u>	<u>\$ 149,926</u>

<u>Year Ending December 31,</u>	#CQ22L OPWC Loan	
	<u>Principal</u>	<u>Interest</u>
	2014	\$ 3,662
2015	3,662	-
2016	3,662	-
2017	3,662	-
2018	3,662	-
2019 - 2023	18,310	-
2024 - 2028	18,310	-
2029 - 2030	<u>5,510</u>	<u>-</u>
Total	<u>\$ 60,440</u>	<u>\$ -</u>

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

**NOTE 8 - DEBT - (Continued)**

<u>Year Ending December 31,</u>	#CT38P OPWC Loan	
	Principal	Interest
2014	\$ 3,396	\$ -
2015	3,396	-
2016	3,396	-
2017	3,396	-
2018	3,396	-
2019 - 2023	16,980	-
2024 - 2028	16,980	-
2029 - 2033	16,980	-
2034 - 2038	16,980	-
2039 - 2043	17,020	-
Total	\$ 101,920	\$ -

**NOTE 9 - RETIREMENT SYSTEM**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For the years ended December 31, 2013 and 2012, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2013 and 2012, respectively. At December 31, 2013, all amounts for the years ended 2013 and 2012 have been paid.

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2012, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which are described in Note 2.D.

For Fiscal year 2012, the Village changed its accounting basis from GASB - cash basis to the cash (regulatory) basis of accounting. There was no effect on beginning fund balances.

**NOTE 11 - COMPLIANCE**

- i.* The Village was in noncompliance with Ohio Revised Code Section 5705.38(C) for the year ended December 31, 2012.
- ii.* The Village was in noncompliance with Ohio Revised Code Section 5705.41(D) for the years ended December 31, 2013 and 2012.

**NOTE 12 - RISK MANAGEMENT**

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

**NOTE 12 - RISK MANAGEMENT - (Continued)**

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011(the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village’s share of these unpaid claims collectible in future years is approximately \$4,000.

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

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$5,187	\$5,332

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



**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 13 - CONTINGENT LIABILITY**

**LITIGATION**

The Village is not currently involved in litigation.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Village of Sugar Grove  
Fairfield County  
101 Bridge Street  
Sugar Grove, Ohio 43155

To the Members of Council and Mayor:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Sugar Grove, Fairfield County, Ohio, as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements and have issued our report thereon dated June 9, 2014 wherein we noted the Village of Sugar Grove followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. In addition, as discussed in Note 10, the Village of Sugar Grove adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" for 2012 and the Village of Sugar Grove changed its accounting basis from Governmental Accounting Standard No. 34 *Basic Financial Statements* - cash basis to the cash (regulatory) basis of accounting.

#### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

Members of Council and Mayor  
Village of Sugar Grove

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village of Sugar Grove's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-VOSG-001, 2013-VOSG-002 and 2013-VOSG-003 described in the accompanying schedule of findings and responses to be material weaknesses.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village of Sugar Grove's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2013-VOSG-003 and 2013-VOSG-004.

### ***Entity's Response to Findings***

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

### ***Purpose of this Report***

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



Julian & Grube, Inc.  
June 9, 2014

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2013-VOSG-001

**Material Weakness - Financial Statement Presentation**

The Village had receipts and disbursements that were posted incorrectly according to the Village Handbook and the Ohio Revised Code. Numerous adjustments were made to the financial statements, for the years ended December 31, 2013 and 2012, to properly state receipts and disbursements and fund balances for each year then ended.

The audited financial statements and Village records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, an accounting/consulting firm, the Village Handbook and the Ohio Municipal League and consider obtaining an overall review of the financial statements and notes prior to submitting to the auditor as an additional internal control to help ensure accurate financial reporting.

*Client Response:* The Fiscal Office continues to work to provide a sound fiscal environment for the Village and has implemented policies and procedures to help with financial statement presentation.

Finding Number	2013-VOSG-002
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**Material Weakness - Utility Billing**

Effective controls over utility billing are critical for the Village to help ensure customers are being billed properly in accordance with the established Village rates. This helps ensure funds will be available to sustain the utility and provide for future debt service and utility improvement disbursements.

The Village bills quarterly for water, sewer and trash. Six of eight quarters tested did not have correct billing rates for water and sewer. All examined were underbilling the Village citizens for water and sewer.

The Village is not billing and collecting monies in accordance with its approved rate structure and therefore not realizing utility revenues.

We recommend the Village review these discrepancies and determine via a Council vote if they will forgive the unbilled amounts or recoup the fees from the citizens. We further recommend that the Village perform quarterly internal rate recomputations on a number of citizens to help ensure this does not occur in the future.

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2013-VOSG-002 - (Continued)

*Client Response:* The Village will discuss this issue and formalize a determination and begin quarterly billing calculation verifications.

Finding Number	2013-VOSG-003
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**Material Weakness/Noncompliance**

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Village had 64% and 82% of expenditures that were not timely certified for the years ended December 31, 2013 and December 31, 2012, respectively. In addition, 73% of 2012 purchase orders were not signed by the Clerk/Treasurer evidencing monies had been lawfully appropriated and were in the treasury or in the process of collection.

Without timely certification, the Village may expend more funds than available in the Treasury, in the process of collection or in the funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using “Then” and “Now” certificates where applicable.

*Client Response:* The Village is attempting to use blanket certificates and ‘then and now’ certificates when applicable.

**VILLAGE OF SUGAR GROVE  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
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Finding Number	2013-VOSG-004
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Ohio Revised Code Section 5705.38 (C) requires that for subdivisions other than schools, appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

The Village appropriated at the fund level for all funds for the year ended December 31, 2012.

Failure to appropriate and monitor expenditures at the required legal level of control could lead to ineffective budgetary oversight of expenditures.

We recommend the Village Council approve all annual appropriation measures and amendments as prescribed by the Ohio Revised Code, or consider a charter modification to specify the preferred legal level of control.

Client Response: The Village modified its legal level of control beginning January 1, 2013 to comply with this Ohio Revised Code Section.



# Dave Yost • Auditor of State

**VILLAGE OF SUGAR GROVE**

**FAIRFIELD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 10, 2014**