



Dave Yost • Auditor of State

VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY
DECEMBER 31, 2017 AND 2016

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of North Lewisburg
Champaign County
60 E. Maple Street
P.O. Box 243
North Lewisburg, Ohio 43060

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of North Lewisburg, Champaign County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of North Lewisburg, Champaign County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 14, 2018

Village of North Lewisburg, Ohio
Champaign County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$17,788	\$9,952		\$27,740
Municipal Income Tax	285,677			285,677
Intergovernmental	26,373	62,724	\$94,626	183,723
Charges for Services		3,200		3,200
Fines, Licenses and Permits	42,551	779		43,330
Earnings on Investments	1,053	71		1,124
Miscellaneous	20,160			20,160
<i>Total Cash Receipts</i>	<u>393,602</u>	<u>76,726</u>	<u>94,626</u>	<u>564,954</u>
Cash Disbursements				
Current:				
Security of Persons and Property	138,771			138,771
Public Health Services	770			770
Leisure Time Activities	135			135
Basic Utility Services	7,531			7,531
Transportation		81,582		81,582
General Government	159,553			159,553
Capital Outlay	19,499		134,187	153,686
<i>Total Cash Disbursements</i>	<u>326,259</u>	<u>81,582</u>	<u>134,187</u>	<u>542,028</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>67,343</u>	<u>(4,856)</u>	<u>(39,561)</u>	<u>22,926</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			39,561	39,561
Sale of Capital Assets	5,085			5,085
Other Financing Sources	4,297			4,297
Other Financing Uses	(7,850)			(7,850)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,532</u>		<u>39,561</u>	<u>41,093</u>
<i>Net Change in Fund Cash Balances</i>	68,875	(4,856)		64,019
<i>Fund Cash Balances, January 1</i>	<u>385,725</u>	<u>184,748</u>		<u>570,473</u>
Fund Cash Balances, December 31				
Restricted		116,207		116,207
Committed		63,685		63,685
Assigned	62,600			62,600
Unassigned	392,000			392,000
<i>Fund Cash Balances, December 31</i>	<u>\$454,600</u>	<u>\$179,892</u>	<u>\$0</u>	<u>\$634,492</u>

See accompanying notes to the basic financial statements

Village of North Lewisburg, Ohio
Champaign County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$730,194		\$730,194
Fines, Licenses and Permits		\$41,802	41,802
Miscellaneous	1,001		1,001
<i>Total Operating Cash Receipts</i>	<u>731,195</u>	<u>41,802</u>	<u>772,997</u>
Operating Cash Disbursements			
Personal Services	135,276		135,276
Employee Fringe Benefits	20,129		20,129
Contractual Services	77,008		77,008
Supplies and Materials	53,457		53,457
Other	16,748	35,228	51,976
<i>Total Operating Cash Disbursements</i>	<u>302,618</u>	<u>35,228</u>	<u>337,846</u>
<i>Operating Income</i>	<u>428,577</u>	<u>6,574</u>	<u>435,151</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	328,651		328,651
Special Assessments	1,656		1,656
Other Debt Proceeds	400,189		400,189
Capital Outlay	(779,621)		(779,621)
Principal Retirement	(250,526)		(250,526)
Interest and Other Fiscal Charges	(60,538)		(60,538)
Other Financing Sources	21		21
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(360,168)</u>		<u>(360,168)</u>
<i>Net Change in Fund Cash Balances</i>	68,409	6,574	74,983
<i>Fund Cash Balances, January 1</i>	<u>271,005</u>		<u>271,005</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$339,414</u></u>	<u><u>\$6,574</u></u>	<u><u>\$345,988</u></u>

See accompanying notes to the basic financial statements

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of North Lewisburg (the Village), Champaign 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 water and sewer utilities and park operations. The Village contracts with the Village of Mechanicsburg's Police Department to provide security of persons and property.

Public Entity Risk Pools and Jointly Governed Organization

The Village participates in public entity risk pools and a jointly governed organization. Notes 7, 11, and 12 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 all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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

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

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

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

State Highway Fund The state highway fund receives gasoline tax and motor vehicle tax monies for constructing, maintaining, and repairing the Village highways.

Permissive Motor Vehicle License Tax Fund The permissive motor vehicle license tax fund accounts for and reports that portion of the State motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highways within the Village.

Impact Fee Fund This fund is used to account for all financial resources committed to the construction of new residential properties within the Village.

Mayor Computer Fund This fund receives a portion of the Mayor's Court receipts for purchasing, maintaining, and repairing a Mayor's Court computer equipment.

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Ohio Public Works Commission Fund This fund accounts for and reports on-behalf revenues and disbursements from OPWC street projects.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover the Village's cost of providing this utility.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover the Village's cost of providing this utility.

Utility Service Fund The utility fund receives deposits from residents to cover the cost of providing this utility.

Fiduciary Funds Fiduciary funds include agency funds that are purely custodial in nature and are used to hold resources for individuals, organizations or other governments.

Mayor's Court Fund This fund is utilized to account for court fines and the distribution of court fines to the appropriate jurisdiction.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

A summary of 2017 budgetary activity appears in Note 4.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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, appropriations exceeded estimated resources in the Water Fund by \$31,876 for the year ended December 31, 2017.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$327,100	\$402,984	\$75,884
Special Revenue	64,715	76,726	12,011
Capital Projects	0	134,187	134,187
Enterprise	667,500	1,461,712	794,212
Total	\$1,059,315	\$2,075,609	\$1,016,294

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$399,350	\$334,109	\$65,241
Special Revenue	139,300	81,582	57,718
Capital Projects	134,187	134,187	0
Enterprise	1,536,650	1,393,303	143,347
Total	\$2,209,487	\$1,943,181	\$266,306

Note 5 – Deposits

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

Demand deposits	2017 \$559,806
Certificates of deposit	420,674
Total deposits	\$980,480

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 – Taxes

Property Taxes

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

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 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's third party administrator, the Regional Income Tax Authority, either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

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

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

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

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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 – Risk Management (Continued)

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$14,000.

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>2017 Contributions to PEP</u> <u>\$21,540</u>

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.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission - Loan CK21H	\$345,000	0%
Ohio Public Works Commission - Loan CK17T	393,520	0%
Ohio Public Works Commission - Loan CT09U	39,561	0%
Ohio Water Development Authority Loan	1,567,435	2.65%
Mortgage Revenue Refunding Bonds	242,000	5.25%
Total	\$2,587,516	

The Village had four loans with the Ohio Public Works Commission (OPWC) during 2017. Loan CK21H was issued in 2009, in the amount of \$600,000, for wastewater system improvements. Loan CK905 was issued in 1997, in the amount of \$393,127, for water system improvements. Loan CK17T was issued in 2017, in the amount of \$400,189, for wastewater system improvements. Loan CT09U was issued in 2017, in the amount of \$39,561, for street paving. The Village will repay Loans CK21H, CK17T, and CT09U in semiannual installments of \$15,000, \$6,670, and \$989, over a period of 20 years, 30 years, and 20 years, respectively. Loan CK905 was paid off during 2017.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project. This loan was originally issued in the amount of \$2,551,833, in 2006, with a 2.65% annual interest rate. The Village will repay the loan in semiannual installments of \$82,600, including interest, over 20 years. Water and sewer receipts collateralize the loan.

Additionally, the Village made installment payments during 2017 for its Mortgage Revenue Refunding Bonds, Series 2003, which were issued for the waterworks system.

Leases

The Village leases a 2016 Ford F-550 dump truck with plow. The Village disbursed \$16,062 to pay lease costs for the year ended December 31, 2017.

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 10 – Debt (Continued)

Amortization

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

Year Ending December 31:	OPWC Loan CK21H	OPWC Loan CK17T	OPWC Loan CT09U	OWDA Loan	Mortgage Revenue Refunding Bonds	Truck Lease
2018	\$30,000	\$13,340	\$990	\$165,200	\$89,705	\$16,062
2019	30,000	13,340	1,978	165,200	88,663	16,062
2020	30,000	13,340	1,978	165,200	89,463	16,062
2021	30,000	13,340	1,978	165,200		
2022	30,000	13,340	1,978	165,200		
2023 - 2027	150,000	66,698	9,890	826,002		
2028 - 2032	45,000	66,698	9,890	165,201		
2033 - 2037		66,698	9,890			
2038 - 2042		66,698	989			
2043 - 2047		60,028				
Total	<u>\$345,000</u>	<u>\$393,520</u>	<u>\$39,561</u>	<u>\$1,817,203</u>	<u>\$267,831</u>	<u>\$48,186</u>

Note 11 – Jointly Governed Organization

The Village of North Lewisburg, along with the Village of Woodstock and the Townships of Rush and Wayne, have joined to form the Northeast Champaign County Fire District to provide fire protection and emergency medical services for these villages and townships. The Northeast Champaign County Fire District's board is made up of two members from each entity's board; only one member is a voting member.

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.

Village of North Lewisburg, Ohio
Champaign County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$19,618	\$9,535	\$29,153
Municipal Income Tax	254,560		254,560
Intergovernmental	50,454	61,083	111,537
Charges for Services		8,000	8,000
Fines, Licenses and Permits	8,388	105	8,493
Earnings on Investments	1,136	66	1,202
Miscellaneous	29,400		29,400
<i>Total Cash Receipts</i>	<u>363,556</u>	<u>78,789</u>	<u>442,345</u>
Cash Disbursements			
Current:			
Security of Persons and Property	134,347		134,347
Public Health Services	1,000		1,000
Leisure Time Activities	18,320		18,320
Basic Utility Services	8,505		8,505
Transportation		49,982	49,982
General Government	189,758		189,758
Capital Outlay	33,233		33,233
<i>Total Cash Disbursements</i>	<u>385,163</u>	<u>49,982</u>	<u>435,145</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,607)</u>	<u>28,807</u>	<u>7,200</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	403		403
Other Financing Sources	2,217		2,217
Other Financing Uses	(8,000)		(8,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,380)</u>		<u>(5,380)</u>
<i>Net Change in Fund Cash Balances</i>	(26,987)	28,807	1,820
<i>Fund Cash Balances, January 1</i>	<u>412,712</u>	<u>155,941</u>	<u>568,653</u>
Fund Cash Balances, December 31			
Restricted		124,263	124,263
Committed		60,485	60,485
Assigned	72,250		72,250
Unassigned	313,475		313,475
<i>Fund Cash Balances, December 31</i>	<u>\$385,725</u>	<u>\$184,748</u>	<u>\$570,473</u>

See accompanying notes to the basic financial statements

Village of North Lewisburg, Ohio
Champaign County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$727,681		\$727,681
Fines, Licenses and Permits		\$8,284	8,284
Miscellaneous	23		23
<i>Total Operating Cash Receipts</i>	<u>727,704</u>	<u>8,284</u>	<u>735,988</u>
Operating Cash Disbursements			
Personal Services	136,278		136,278
Employee Fringe Benefits	24,921		24,921
Contractual Services	79,112		79,112
Supplies and Materials	129,535		129,535
Other	33,284	8,284	41,568
<i>Total Operating Cash Disbursements</i>	<u>403,130</u>	<u>8,284</u>	<u>411,414</u>
<i>Operating Income (Loss)</i>	<u>324,574</u>		<u>324,574</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	94,099		94,099
Special Assessments	425		425
Sale of Capital Assets	58,955		58,955
Capital Outlay	(127,689)		(127,689)
Principal Retirement	(391,046)		(391,046)
Interest and Other Fiscal Charges	(89,939)		(89,939)
Other Financing Sources	338		338
Other Financing Uses	(13)		(13)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(454,870)</u>		<u>(454,870)</u>
<i>Net Change in Fund Cash Balances</i>	(130,296)		(130,296)
<i>Fund Cash Balances, January 1</i>	<u>401,301</u>		<u>401,301</u>
<i>Fund Cash Balances, December 31</i>	<u>\$271,005</u>	<u>\$0</u>	<u>\$271,005</u>

See accompanying notes to the basic financial statements

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of North Lewisburg (the Village), Champaign 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 water and sewer utilities and park operations.. The Village contracts with the Champaign County Sheriff's department to provide security of persons and property.

Public Entity Risk Pools and Jointly Governed Organization

The Village participates in public entity risk pools and a jointly governed organization. Notes 7, 11, and 12 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 all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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

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

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

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

State Highway Fund The state highway fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing the Village highways.

Permissive Motor Vehicle License Tax Fund This fund receives motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Impact Fee Fund This fund is used to account for all financial resources committed to the construction of new residential properties within the Village.

Mayor Computer Fund This fund receives a portion of Mayor's Court receipts for purchasing, maintaining, and repairing a Mayor's Court computer equipment.

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover the Village's cost of providing this utility.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover the Village's cost of providing this utility.

Utility Service Fund The Utility fund receives deposits from residents to cover the cost of providing this utility.

Fiduciary Funds Fiduciary funds include agency funds that are purely custodial in nature and are used to hold resources for individuals, organizations or other governments.

Mayor's Court Fund This fund is utilized to account for court fines and the distribution of court fines to the appropriate jurisdiction.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

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

A summary of 2016 budgetary activity appears in Note 4.

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Water Fund by \$4,175.

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$325,760	\$366,176	\$40,416
Special Revenue	66,985	78,789	11,804
Enterprise	723,955	881,521	157,566
Total	\$1,116,700	\$1,326,486	\$209,786

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$397,157	\$393,163	\$3,994
Special Revenue	137,905	49,982	87,923
Enterprise	1,082,627	1,011,817	70,810
Total	\$1,617,689	\$1,454,962	\$162,727

Note 5 – Deposits

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

	2016
Demand deposits	\$420,804
Certificates of deposit	420,674
Total deposits	\$841,478

Deposits

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

Note 6 – Taxes

Property Taxes

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

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 – Taxes (Continued)

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 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's third party administrator, the Regional Income Tax Authority, either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

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

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 – Risk Management (Continued)

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$14,000.

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.

2016 Contributions to PEP \$22,502

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.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

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

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

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission - Loan CK21H	\$375,000	0%
Ohio Public Works Commission - Loan CK905	19,656	0%
Ohio Water Development Authority Loan	1,688,636	2.65%
Mortgage Revenue Refunding Bonds	315,000	5.25%
Total	\$2,398,292	

The Village has two loans with the Ohio Public Works Commission (OPWC). Loan CK21H was issued in 2009, in the amount of \$600,000, for wastewater system improvements. Loan CK905 was issued in 1997, in the amount of \$393,127, for water system improvements. The Village will repay both OPWC loans in semiannual installments of \$15,000 and \$9,828, respectively over a period of 20 years.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project. This loan was originally issued in the amount of \$2,551,833, in 2006, with a 2.65% annual interest rate. The Village will repay the loan in semiannual installments of \$82,600, including interest, over 20 years. Water and sewer receipts collateralize the loan.

Additionally, the Village made installment payments during 2016 for its Mortgage Revenue Refunding Bonds, Series 2003, which were issued for the waterworks system. During 2016, the Village also paid off its loan for the Mill Street property and its police vehicle bonds.

Leases

The Village leases a 2016 Ford F-550 dump truck with plow. The Village disbursed \$16,062 to pay lease costs for the year ended December 31, 2016.

Amortization

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

Year Ending December 31:	OPWC Loan CK21H	OPWC Loan CK905	OWDA Loan	Mortgage Revenue Refunding Bonds	Truck Lease
2017	\$30,000	\$19,656	\$165,200	\$89,538	\$16,062
2018	30,000		165,200	89,705	16,062
2019	30,000		165,200	88,663	16,062
2020	30,000		165,200	89,463	16,062
2021	30,000		165,200		
2022 - 2026	150,000		826,002		
2027 - 2029	75,000		413,001		
Total	\$375,000	\$19,656	\$2,065,003	\$357,369	\$64,248

Village of North Lewisburg, Ohio
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 11 – Jointly Governed Organization

The Village of North Lewisburg, along with the Village of Woodstock and the Townships of Rush and Wayne, have joined to form the Northeast Champaign County Fire District to provide fire protection and emergency medical services for these villages and townships. The Northeast Champaign County Fire District's board is made up of two members from each entity's board; only one member is a voting member.

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.



Dave Yost • Auditor of State

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

Village of North Lewisburg
Champaign County
60 E. Maple Street
P.O. Box 243
North Lewisburg, Ohio 43060

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of North Lewisburg, Champaign County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 14, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 through 2017-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 through 2017-003.

Village's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 14, 2018

**VILLAGE OF NORTH LEWISBURG
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance and Material Weakness – Budgetary

Ohio Rev. Code § 5705.36(A)(1) states that, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

Ohio Rev. Code § 5705.38(A) states that, on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual year-end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

Ohio Rev. Code § 5705.39 states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Ohio Rev. Code § 5705.40 states that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

For the fiscal years ending December 31, 2017 and 2016, the following instances were noted:

- The Village only filed the temporary appropriations with the County for 2017.
- The Minutes did not report Council's approval of permanent appropriatons for 2017.
- The Village did not file appropriation changes with the County.
- The Fiscal Officer posted appropriation changes to the accounting system prior to appropriate approvals and amounts did not agree to official budgetary documents.
- In 2017 and 2016, the Water Fund's appropriations exceeded its estimated resources by \$31,876 and \$4,175, respectively.

Furthermore, although the Council reviewed financial reports, which included budgeted appropriations and revenues, from the Uniform Accounting Network (UAN) system during 2017 and 2016, the amounts in UAN did not agree with the certified budgetary documents. As a result, the information provided to the Council in these UAN reports was not consistently accurate regarding the budgeted and actual activity for all funds.

**FINDING NUMBER 2017-001
(Continued)**

The failure to have adequate appropriation authority in place at the time of expenditure and to accurately record appropriations and estimated revenues in the accounting system can result in overspending of resources. The lack of the Council's review of accurate budget and actual activity increases the likelihood that errors or irregularities may go undetected, and can also lead to the overspending of resources.

All appropriations, which have been approved by the Village Council, should be filed with the County Auditor, so the appropriation measures can be certified and become legally effective. Additionally, the Village should properly post the appropriations and budgeted revenue for all funds in the accounting system to produce accurate budget to actual financial reports. Monitoring monthly budget and actual expenditures and receipts ensures expenditures are being made in accordance with the approved budget, receipts are being received in accordance with the certificate of estimated resources, and overspending does not occur. Furthermore, the Minutes should accurately report all approvals by the Village Council.

Official's Response:

The Village of North Lewisburg is now utilizing guidelines with appropriate dates. Budgets and approvals shall be submitted via email and request a confirmation email from the county auditor. They shall then be filed in office.

FINDING NUMBER 2017-002

Noncompliance and Material Weakness – Financial Reporting

Ohio Rev. Code § 733.28 states, in part, the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.

Ohio Rev. Code § 5705.10(D) provides 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.

Ohio Admin. Code § 117-2-02(A) states, in part, all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

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 its 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.

**FINDING NUMBER 2017-002
(Continued)**

The following misstatements occurred on the Village's financial statements and/or accounting records:

- Permissive Motor Vehicle License Tax fund monies, in the amount of \$9,299, were incorrectly posted to the General Fund.
- General Fund subsequent appropriations over estimated receipts of \$62,600 and \$72,250 were posted as unassigned rather than assigned fund balance, in 2017 and 2016, respectively.
- The Special Revenue Impact Fees Fund was posted as restricted rather than committed fund balance, in 2017 and 2016, in the amounts of \$63,685 and \$60,485, respectively.
- The Village incorrectly posted various receipts to Other Financing Sources in the General Fund. In 2017, \$8,790 was reclassified to Intergovernmental, \$20,160 reclassified to Miscellaneous, and \$5,085 was reclassified to Sale of Capital Assets. In 2016, \$32,449 was reclassified to Intergovernmental, \$29,400 reclassified to Miscellaneous, \$403 reclassified to Sale of Capital Asset, and \$1,321 was reclassified to Enterprise Charges for Services.
- Auto registration monies were posted as Property and Other Taxes instead of Intergovernmental revenue in the Special Revenue fund in the amount of \$9,614 and \$9,374, in 2017 and 2016, respectively.
- Sale of land in the Enterprise Water Operating Fund was incorrectly classified as Miscellaneous rather than Sale of Capital Assets in the amount of \$58,955 in 2016.

Finally, activity for the Mayor's Court was not posted in the Village's Uniform Accounting Network system and therefore it was not included on the Village's financial statements for 2017 and 2016. In addition, the Village did not perform a bank reconciliation for the Mayor's Court activity.

The misstatements noted are reflected in the accompanying financial statements and have been posted to the Village's accounting records where necessary.

In addition to the adjustments and reclassifications listed above, additional misstatements ranging from \$6 to \$10,350 have been identified and brought to the Village's attention. Misstatements result from changes in accounting regulations and reporting as well as lack of proper accounting policies/procedures.

The failure to correctly classify and include financial activity in the accounting records, financial statements, and notes may impact the users' understanding of the financial operations, the Village Council's and management's ability to make sound financial decisions or comply with budgetary laws, and could result in materially misstated reports. Monthly bank reconciliations for all accounts is a basic control to verify accuracy and completeness of the Village's recording of current receipts and expenditures. Failure to maintain complete monthly bank reconciliations increases the possibility the Village would not promptly detect errors or funds being altered, lost, or stolen.

The Village should implement policies and procedures to provide for accurate and complete recording of all financial activity and balances in the financial statements, notes to the financial statements, and accounting records, including complete bank reconciliations, to assist in the effective management and reporting of the Village's financial resources.

**FINDING NUMBER 2017-002
(Continued)**

Official's Response:

The current Fiscal Officer for the Village of North Lewisburg has trained and adopted standard guidelines for the tracking and verification of posting accounts.

Mayor's Court has performed a bank reconciliation and is balanced via the current Fiscal Officer. Mayor's Court is posted to Fines and Other Forfeitures on the UAN system.

The Village of North Lewisburg is currently working with Clemson-Nelson to produce a policy and procedures manual.

FINDING NUMBER 2017-003

Noncompliance and Material Weakness – OPWC On-Behalf Monies

Ohio Rev. Code § 5705.42 states when the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of section 5705.41 of the Revised Code. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates that when a local government enters into an on-behalf-of program agreement with another local government or the state, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Village entered into agreements with the Ohio Public Works Commission (OPWC) for grants and loans during the years ending December 31, 2017 and 2016. AOS Bulletin 2002-004 outlines the accounting requirements for OPWC grants. The OPWC will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the state will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the appropriate governmental and/or enterprise capital projects fund equal to the amount disbursed by the OPWC.

Due to lack of knowledge regarding proper accounting for on-behalf transactions, the Village did not record the payments made directly to contractors as part of the OPWC projects. In 2017, the Village failed to report \$39,561 and \$400,189 in OPWC loan proceeds, \$94,626 and \$328,651 in OPWC intergovernmental revenues, and \$134,187 and \$728,840 in OPWC capital outlay disbursements in the Capital Projects fund for a street project and the Enterprise fund for a waste water treatment plant project, respectively. Additionally, in 2016, the Village failed to report \$94,099 in OPWC intergovernmental revenues and capital outlay disbursements in the Enterprise Fund. The financial statements have been adjusted to properly report the activity.

The failure to record grant and loan activity results in understated receipts and disbursements on the financial statements and understated obligations in the financial statement notes.

**FINDING NUMBER 2017-003
(Continued)**

To improve financial reporting, the Village should establish procedures to account for all payments made directly to contractors to ensure that the financial statements reflect the receipts and disbursements for all grant activity.

Official's Response:

The Village of North Lewisburg's Fiscal Officer is working with UAN and Local Services to determine the correct way to post On-Behalf Monies and shall correct all future grant and loan money postings.

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Dave Yost • Auditor of State

VILLAGE OF NORTH LEWISBURG

CHAMPAIGN 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
JANUARY 3, 2019