



***VILLAGE OF LAURELVILLE
HOCKING COUNTY***

Regular Audit

**For the Years Ended
December 31, 2015 and 2014**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Village Council
Village of Laurelville
18751 Main Street
PO Box 393
Laurelville, Ohio 43135

We have reviewed the *Independent Auditor's Report* of the Village of Laurelville, Hocking County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 Laurelville is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

August 1, 2016

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VILLAGE OF LAURELVILLE, HOCKING COUNTY

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Independent Auditor's Report

Village Council
Village of Laurelville
18751 Main Street
P.O. Box 393
Laurelville, OH 43135-0393

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 Laurelville, Hocking County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

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 controls relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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 American (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the year 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 Laurelville, Hocking County as of December 31, 2015 and 2014, 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) permits, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2016 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

June 8, 2016

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2015

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	
<u>Cash Receipts:</u>				
Property and Local Taxes	\$49,348	\$0	\$0	\$49,348
Intergovernmental	10,449	28,873	0	39,322
Charges for Service	16,375	181,501	0	197,876
Fines, Licenses, and Permits	11,478	666	0	12,144
Earnings on Investments	974	51	0	1,025
Miscellaneous	5,008	19,633	0	24,641
Total Cash Receipts	93,632	230,724	0	324,356
<u>Cash Disbursements:</u>				
<i>Current:</i>				
General Government	27,717	292	0	28,009
Security of Persons and Property	62,192	97,171	0	159,363
Leisure Time Activities	669	0	0	669
Community Environment	350	0	0	350
Basic Utility Service	12,551	0	0	12,551
Transportation	0	24,371	0	24,371
Debt Service:				
Principal	0	87,858	0	87,858
Interest and Fiscal Charges	0	11,376	0	11,376
Total Cash Disbursements	103,479	221,068	0	324,547
Cash Receipts Over/(Under) Cash Disbursements	(9,847)	9,656	0	(191)
Fund Cash Balances, January 1	38,089	185,654	23	223,766
Restricted	0	195,310	23	195,333
Assigned	25,975	0	0	25,975
Unassigned	2,267	0	0	2,267
Fund Cash Balances, December 31	\$28,242	\$195,310	\$23	\$223,575

See accompanying notes to the financial statements.

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2015

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Totals</u>
<u>Operating Cash Receipts:</u>			
Charges for Services	\$211,296	\$0	\$211,296
Miscellaneous	207	0	207
Total Operating Cash Receipts	<u>211,503</u>	<u>0</u>	<u>211,503</u>
<u>Operating Cash Disbursements:</u>			
Personal Services	35,297	0	35,297
Employee Fringe Benefits	18,138	0	18,138
Contractual Services	129,568	0	129,568
Supplies and Materials	29,088	0	29,088
Capital Outlay	53,112	0	53,112
Other	5,750	0	5,750
Total Operating Cash Disbursements	<u>270,953</u>	<u>0</u>	<u>270,953</u>
Operating Income (Loss)	(59,450)	0	(59,450)
<u>Non-Operating Cash Receipts (Disbursements):</u>			
Other Debt Proceeds	53,112	0	53,112
Other Non-Operating Cash Receipts	0	12,033	12,033
Other Non-Operating Cash Disbursements	0	(12,681)	(12,681)
Total Non-Operating Cash Receipts (Disbursements)	<u>53,112</u>	<u>(648)</u>	<u>52,464</u>
Net Change in Fund Cash Balances	(6,338)	(648)	(6,986)
Fund Cash Balances, January 1	<u>766,121</u>	<u>3,088</u>	<u>769,209</u>
Fund Cash Balances, December 31	<u><u>\$759,783</u></u>	<u><u>\$2,440</u></u>	<u><u>\$762,223</u></u>

See accompanying notes to the financial statements.

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2014

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	
<u>Cash Receipts:</u>				
Property and Local Taxes	\$51,780	\$0	\$0	\$51,780
Intergovernmental	8,287	32,046	0	40,333
Charges for Service	17,306	188,501	0	205,807
Fines, Licenses, and Permits	10,072	965	0	11,037
Earnings on Investments	919	49	0	968
Miscellaneous	18,850	2,693	0	21,543
Total Cash Receipts	107,214	224,254	0	331,468
<u>Cash Disbursements:</u>				
<i>Current:</i>				
General Government	30,805	900	0	31,705
Security of Persons and Property	70,487	79,596	0	150,083
Leisure Time Activities	1,882	0	0	1,882
Basic Utility Services	12,747	0	0	12,747
Transportation	0	20,000	0	20,000
<i>Debt Service:</i>				
Principal	0	85,132	0	85,132
Interest and Fiscal Charges	0	14,101	0	14,101
Total Cash Disbursements	115,921	199,729	0	315,650
Cash Receipts Over/(Under) Cash Disbursements	(8,707)	24,525	0	15,818
Fund Cash Balances, January 1, As Restated	46,796	161,129	23	207,948
Restricted	0	185,654	23	185,677
Assigned	33,355	0	0	33,355
Unassigned	4,734	0	0	4,734
Fund Cash Balances, December 31	\$38,089	\$185,654	\$23	\$223,766

See accompanying notes to the financial statements.

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2014

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Totals</u>
<u>Operating Cash Receipts:</u>			
Charges for Services	\$213,422	\$0	\$213,422
Miscellaneous	980	0	980
Total Operating Cash Receipts	<u>214,402</u>	<u>0</u>	<u>214,402</u>
<u>Operating Cash Disbursements:</u>			
Personal Services	32,584	0	32,584
Employee Fringe Benefits	16,750	0	16,750
Contractual Services	70,790	0	70,790
Supplies and Materials	22,696	0	22,696
Other	5,000	0	5,000
Total Operating Cash Disbursements	<u>147,820</u>	<u>0</u>	<u>147,820</u>
Operating Income (Loss)	66,582	0	66,582
<u>Non-Operating Cash Receipts (Disbursements):</u>			
Other Non-Operating Cash Receipts	0	15,466	15,466
Other Non-Operating Cash Disbursements	0	(14,118)	(14,118)
Total Non-Operating Cash Receipts (Disbursements)	<u>0</u>	<u>1,348</u>	<u>1,348</u>
Net Change in Fund Cash Balances	66,582	1,348	67,930
Fund Cash Balances, January 1, As Restated	<u>699,539</u>	<u>1,740</u>	<u>701,279</u>
Fund Cash Balances, December 31	<u><u>\$766,121</u></u>	<u><u>\$3,088</u></u>	<u><u>\$769,209</u></u>

See accompanying notes to the financial statements.

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Laurelville, Hocking County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides road maintenance, police protection, water and sewer utilities, and refuse collection. The Village appropriates general fund money to support a volunteer fire department.

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

A. Basis of Accounting

The Village's financial statements follow the basis of accounting 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 basis of accounting. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The 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.

B. 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 is the general operating fund. It is used to account for all financial resources, except those required by law or contracted to be restricted.

Special Revenue Funds: These funds are used to account for proceeds from specific sources (other than trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Fire Department Fund – This fund is used to account for receipts from fire contracts with neighboring townships for the operation of the fire department.

Enterprise Funds: These funds are used to 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 has the following significant Enterprise Fund:

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

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

Waste Water Treatment Fund - This fund receives charges for services from residents of the Village of Adelphi to cover the cost of providing access to Laurelville's waste water treatment facility.

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 2 – Summary of Significant Accounting Policies (continued)

Agency Funds: These funds are used to account for custodial funds held by the Village acting as an agent for another government, organization, individual, or fund. The Village has the following significant agency fund:

Mayor's Court Fund – This agency fund is used to account for the activities of the Mayor's Court.

C. Budgetary Process

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

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations may not exceed estimated resources. Unencumbered 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 also certify estimated resources.

Encumbrances: The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 4.

D. Fund Balances

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 amend 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.

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 2 – Summary of Significant Accounting Policies (continued)

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.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village’s basis of accounting.

Note 3 – Cash and Investments

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of cash at year end was as follows:

	December 31, 2015	December 31, 2014
Demand Deposits	\$985,798	\$992,975
Total	\$985,798	\$992,975

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

Note 4 – Budgetary Basis of Accounting

The Village’s budgetary activity for the years ending December 31, 2015 and December 31, 2014 was as follows:

Fund Type	2015 Budgeted vs. Actual Receipts		
	Receipts		
	Budgeted	Actual	Variance
General	\$82,650	\$93,632	\$10,982
Special Revenue	205,330	230,724	25,394
Enterprise	203,599	264,615	61,016
<i>Total</i>	\$491,579	\$588,971	\$97,392

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 4 – Budgetary Basis of Accounting (continued)

2015 Budgeted vs. Actual Budgetary Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$116,005	\$103,598	\$12,407
Special Revenue	333,500	221,183	112,317
Enterprise	564,050	271,588	292,462
<i>Total</i>	\$1,013,555	\$596,369	\$417,186

2014 Budgeted vs. Actual Receipts			
Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$91,650	\$107,214	\$15,564
Special Revenue	207,330	224,254	16,924
Enterprise	209,600	214,402	4,802
<i>Total</i>	\$508,580	\$545,870	\$37,290

2014 Budgeted vs. Actual Budgetary Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$130,325	\$115,921	\$14,404
Special Revenue	279,500	199,729	79,771
Enterprise	373,850	147,820	226,030
<i>Total</i>	\$783,675	\$463,470	\$320,205

Note 5- 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 area 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. 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.

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 6 – Debt

A schedule of changes in long-term obligations of the Village during 2015 follows:

	Interest Rate	Principal Balance 12-31-14	Issued in 2015	Retired in 2015	Principal Balance 12-31-15
Governmental Activities:					
Station #4 Construction	3.00%	\$47,353	\$0	\$23,327	\$24,026
2012 Fire Truck Loan (4 Door)	3.00%	168,328	0	31,693	136,635
2012 Fire Truck Loan (2 Door)	3.50%	138,439	0	32,838	105,601
Zenner Automated Metering Units	3.35%	0	53,112	0	53,112
		<u>\$354,120</u>	<u>\$53,112</u>	<u>\$87,858</u>	<u>\$319,374</u>

A schedule of changes in long-term obligations of the Village during 2014 follows:

	Interest Rate	Principal Balance 12-31-13	Issued in 2014	Retired in 2014	Principal Balance 12-31-14
Governmental Activities:					
2006 Fire Truck Loan	4.80%	\$70,000	\$0	\$22,647	\$47,353
2012 Fire Truck Loan (4 Door)	3.00%	199,092	0	30,764	168,328
2012 Fire Truck Loan (2 Door)	3.50%	170,160	0	31,721	138,439
		<u>\$439,252</u>	<u>\$0</u>	<u>\$85,132</u>	<u>\$354,120</u>

The loans are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The Village entered into a Municipal Lease Purchase Agreement in 2015 through Government Capital Corporation for the purchase of 313 Zenner Automated Metering Units in the amount of \$53,112 for seven years. The Village will make monthly payments of \$8,611 over the life of the loan.

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

	Fire Truck Loan (4 Door)		Fire Truck Loan (2 Door)		Station #4		Zenner Automated Metering Units	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$32,650	\$4,126	\$33,983	\$3,727	\$24,026	\$723	\$7,000	\$1,611
2017	33,636	3,140	35,190	2,521	0	0	7,066	1,545
2018	34,651	2,125	36,428	1,282	0	0	7,303	1,308
2019	35,698	1,078	0	0	0	0	7,548	1,063
2020	0	0	0	0	0	0	7,801	810
2021-2022	0	0	0	0	0	0	16,394	828
Total	<u>\$136,635</u>	<u>\$10,469</u>	<u>\$105,601</u>	<u>\$7,530</u>	<u>\$24,026</u>	<u>\$723</u>	<u>\$53,112</u>	<u>\$7,165</u>

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 7 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Village employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 7 – Defined Benefit Pension Plans - (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2015 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-Employment Health Care Benefits	2.0%
	14.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$12,201 for year 2015.

Note 8 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 9 – Change in Accounting Principle and Prior Period Adjustment

For 2015, the Village implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions”. The implementation of this statement did not result in any change in the Village’s financial statements.

2014 Prior Period Adjustment

In January 2014, the Village had voided previously issued checks. This resulted in a restatement of the prior period cash balance.

	General Fund	Special Revenue Funds	Enterprise Fund
Fund Balance/Net Position at December 31, 2013	\$45,651	\$160,965	\$699,425
Overstatement of Cash and Cash Equivalents	1,145	164	114
Adjusted Fund Balance/Net Position at December 31, 2013	\$46,796	\$161,129	\$699,539

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 10 – Fund Cash Balances

As of December 31, 2015, fund balances are composed of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<i>Restricted:</i>				
Emergency Medical Services	\$0	\$311	\$0	\$311
Police	0	2,399	0	2,399
Fire	0	167,634	0	167,634
Economic Development	0	9	23	32
Road Maintenance & Improvement	0	24,957	0	24,957
<i>Assigned:</i>				
Future Appropriations	25,975	0	0	25,975
<i>Unassigned</i>	<u>2,267</u>	<u>0</u>	<u>0</u>	<u>2,267</u>
Total	<u><u>\$28,242</u></u>	<u><u>\$195,310</u></u>	<u><u>\$23</u></u>	<u><u>\$223,575</u></u>

As of December 31, 2014, fund balances are composed of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<i>Restricted:</i>				
Emergency Medical Services	\$0	\$311	\$0	\$311
Police	0	2,025	0	2,025
Fire	0	157,918	0	157,918
Economic Development	0	9	23	32
Road Maintenance & Improvement	0	25,391	0	25,391
<i>Assigned:</i>				
Future Appropriations	33,355	0	0	33,355
<i>Unassigned</i>	<u>4,734</u>	<u>0</u>	<u>0</u>	<u>4,734</u>
Total	<u><u>\$38,089</u></u>	<u><u>\$185,654</u></u>	<u><u>\$23</u></u>	<u><u>\$223,766</u></u>

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow.

The Village is currently involved in a dispute with the United States Environmental Protection Agency (EPA) concerning a grant received by the Village. The EPA has disallowed several of the expenses made by the Village with the grant funds and therefore, the EPA is asking the Village to refund a portion of the grant. The Village disagrees with this assessment and is currently in negotiations with the EPA in attempt to resolve the issue.

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

Village Council
Village of Laurelville
18751 Main Street
P.O. Box 393
Laurelville, OH 43135-0393

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 Laurelville, Hocking County, Ohio (the Village), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 8, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 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 identified certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

Village Council
Village of Laurelville, Hocking County
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2015-001.

Entity'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 audit the Village'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's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

June 8, 2016

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Schedule of Findings
For the Years Ended December 31, 2015 and 2014

**A. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number 2015-001

Noncompliance/Material Weakness

Ohio Rev. Code 733.28 requires village fiscal officers to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Ohio Admin. Code 117-2-02(A) requires public offices to 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, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Using these accounting records will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

The Village utilized the UAN accounting system which provided all of the required journals and ledgers. The UAN software also included a monthly reconciliation process to assist the Fiscal Officer in the monthly book to bank reconciliation. Although the monthly reconciliation were included in the accounting records, there were other adjusting factors noted during testing which indicated the underlying accounting records were inaccurate. These inaccuracies also resulted in significant adjustments to the financial statements as follows:

- Mayor's Court activity from the bank statement that was never recorded in the accounting system.

Due to the errors noted above, the financial statements provided to the Village Council did not represent a true picture of the financial position of the Village.

We recommend the Fiscal Officer prepare the monthly book-to-bank reconciliation in a timely manner. We also recommend the Fiscal Officer immediately follow-up on any discrepancies noted in the reconciliation process. This will allow the Village to maintain accurate records which the Village Council can rely on for budgeting and planning purposes.

Officials' Response: The current Fiscal Officer was not trained to record Mayor's Court activity from their respective statements in UAN, but will do so now that she has been made aware of the requirement.

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Schedule of Findings
For the Years Ended December 31, 2015 and 2014

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number 2015-002

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustments or reclassifications.

In 2014:

- General Fund unassigned fund balance of \$33,355 was reclassified to assigned fund balance;
- Mayor's Court Fund other non-operating receipts of \$15,466 was unrecorded;
- Mayor's Court Fund other non-operating disbursements of \$14,118 was unrecorded.

In 2015:

- General Fund to report debt proceeds of \$53,112 that was unrecorded;
- General Fund to report capital outlay expense of \$53,112 that was unrecorded;
- General Fund unassigned fund balance of \$25,975 was reclassified to assigned fund balance;
- Mayor's Court Fund other non-operating receipts of \$12,033 was unrecorded;
- Mayor's Court Fund other non-operating disbursements of \$12,681 was unrecorded.

The Fiscal Officer made classification errors in posting of revenues and expenditures. This caused the mispostings and unrecorded revenues and expenditures as noted above.

The audited financial statements and the Village's UAN accounting system have been adjusted for the issues noted above.

We recommend the Fiscal Officer review the Village Officer's Handbook for guidance on the correct line items to post various receipts and disbursements of the Village to ensure the Village's financial statements are complete and accurate.

Officials' Response: The current Fiscal Officer will review the amounts provided and review current line items to ensure future postings are accurate.

VILLAGE OF LAURELVILLE, HOCKING COUNTY
Schedule of Prior Audit Findings
For the Years Ended December 31, 2015 and 2014

Finding Number	Description	Status	Comments
<i>Government Auditing Standards:</i>			
2013-001	Noncompliance – certifying purchases by using purchase orders.	Corrected	N/A



Dave Yost • Auditor of State

VILLAGE OF LAURELVILLE

HOCKING 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
AUGUST 11, 2016