



Dave Yost • Auditor of State

**VILLAGE OF CROWN CITY
GALLIA COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Crown City
Gallia County
207 Spring Valley Drive
Crown City, Ohio 45623

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 Crown City, Gallia 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 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 Crown City, Gallia County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 November 19, 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

November 19, 2018

Village of Crown City, Ohio
Gallia 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$1,253	\$4,621	\$5,874
Intergovernmental	49,970	33,518	83,488
Charges for Services	0	2,014	2,014
Fines, Licenses and Permits	15,437	0	15,437
Earnings on Investments	24	0	24
Miscellaneous	0	7,395	7,395
<i>Total Cash Receipts</i>	<u>66,684</u>	<u>47,548</u>	<u>114,232</u>
Cash Disbursements			
Current:			
Security of Persons and Property	19,971	27,235	47,206
Public Health Services	2,333	4,159	6,492
Transportation	0	19,651	19,651
General Government	35,002	204	35,206
Debt Service:			
Principal Retirement	6,831	0	6,831
Interest and Fiscal Charges	565	0	565
<i>Total Cash Disbursements</i>	<u>64,702</u>	<u>51,249</u>	<u>115,951</u>
<i>Net Change in Fund Cash Balances</i>	1,982	(3,701)	(1,719)
<i>Fund Cash Balances, January 1</i>	<u>34,925</u>	<u>70,305</u>	<u>105,230</u>
Fund Cash Balances, December 31			
Restricted	0	52,400	52,400
Committed	0	15,051	15,051
Assigned	36,907	0	36,907
Unassigned (Deficit)	<u>0</u>	<u>(847)</u>	<u>(847)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$36,907</u></u>	<u><u>\$66,604</u></u>	<u><u>\$103,511</u></u>

See accompanying notes to the basic financial statements.

Village of Crown City, Ohio
Gallia County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2017

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$133,415</u>
<i>Total Operating Cash Receipts</i>	<u>133,415</u>
Operating Cash Disbursements	
Personal Services	5,204
Contractual Services	82,122
Supplies and Materials	<u>21,981</u>
<i>Total Operating Cash Disbursements</i>	<u>109,307</u>
<i>Operating Income (Loss)</i>	<u>24,108</u>
Non-Operating Receipts (Disbursements)	
Special Assessments	5,050
Principal Retirement	<u>(101,156)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(96,106)</u>
<i>Net Change in Fund Cash Balances</i>	(71,998)
<i>Fund Cash Balances, January 1</i>	<u>110,630</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$38,632</u></u>

See accompanying notes to the basic financial statements.

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Crown City (the Village), Gallia 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 sewer utilities, park operations, street maintenance, police and fire protection and general maintenance. The Village contracts with the Gallia County Sheriff's department to provide security of persons and property.

Public Entity Risk Pool

The Village participates in the Ohio Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 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 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.

Fire Levy Fund The fire levy fund receives tax monies assessed and levied on general assessed valuation of real and personal tax and donations for the operation of the fire department.

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 Fund:

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - 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	\$56,400	\$66,684	\$10,284
Special Revenue	20,632	47,548	26,916
Enterprise	125,000	138,465	13,465
Total	\$202,032	\$252,697	\$50,665

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,173	\$64,702	\$30,471
Special Revenue	86,252	51,249	35,003
Enterprise	235,532	216,765	18,767
Total	\$416,957	\$332,716	\$84,241

Note 4 – 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 \$134,252
Certificates of deposit	7,891
Total deposits and investments	\$142,143

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes (Continued)

Property Taxes (Continued)

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

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

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

	<u>2017</u>
Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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

One 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.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, 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 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Acquisition Bond	\$7,108	4%
Ohio Public Works Commission Loan	\$219,300	0%
Ohio Water Development Authority Loan	<u>\$941,136</u>	0%
Total	<u><u>\$1,167,544</u></u>	

The Building Acquisition Bond relates to the building purchased for the Fire Department. A bond agreement was signed with Ohio Valley Bank for \$100,000 at 4% interest due in annual installments for twenty years. The first payment was made November 1, 1999. The Building Acquisition Bond is collateralized by the Village's taxing authority.

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (Continued)

The Ohio Public Works Commission (OPWC) loan relates to a sewer system project the Ohio Environment Protection Agency mandated. The OPWC approved up to \$258,000 in loans to the village for this project. The Village will repay the loan in semi-annual installments of \$4300 over 30 years. The scheduled payments amount below assumes that \$258,000 will be borrowed. The OPWC will adjust scheduled payments to reflect any revisions in the amount the Village actually borrows. Sewer use receipts will collateralize the loan. The Village has agreed to set sewer use rates to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to a complete sewer plant project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,176,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$29,410, including interest, over 20 years. The scheduled payment amount below assumes that \$1,176,000 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer use receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements road maintenance

Amortization

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

Year Ending December 31:	Ohio Public Works Loan	OWDA Loan	Building Acquisition Bond
2018	\$4,300	\$29,411	\$7,396
2019	8,600	58,821	
2020	8,600	58,821	
2021	8,600	58,821	
2022	8,600	58,821	
2023-2027	43,000	294,105	
2028-2032	43,000	294,105	
2033-2037	43,000	88,231	
2038-2042	43,000		
2043	8,600		
Total	\$219,300	\$941,136	\$7,396

Note 10 – 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. However, based on prior experience, management believes any refunds would be immaterial.

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Village of Crown City, Ohio
Gallia 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	\$1,375	\$5,718	\$7,093
Intergovernmental	49,726	26,717	76,443
Charges for Services	2,392	2,400	4,792
Fines, Licenses and Permits	14,622	0	14,622
Miscellaneous	59	8,742	8,801
<i>Total Cash Receipts</i>	<u>68,174</u>	<u>43,577</u>	<u>111,751</u>
Cash Disbursements			
Current:			
Security of Persons and Property	19,769	4,445	24,214
Public Health Services	1,511	4,000	5,511
Leisure Time Activities	0	500	500
Transportation	0	35,138	35,138
General Government	33,480	0	33,480
Debt Service:			
Principal Retirement	6,563	0	6,563
Interest and Fiscal Charges	833	0	833
<i>Total Cash Disbursements</i>	<u>62,156</u>	<u>44,083</u>	<u>106,239</u>
<i>Net Change in Fund Cash Balances</i>	6,018	(506)	5,512
<i>Fund Cash Balances, January 1</i>	<u>28,907</u>	<u>70,811</u>	<u>99,718</u>
Fund Cash Balances, December 31			
Restricted	0	55,741	55,741
Committed	0	14,564	14,564
Assigned	34,925	0	34,925
<i>Fund Cash Balances, December 31</i>	<u>\$34,925</u>	<u>\$70,305</u>	<u>\$105,230</u>

See accompanying notes to the basic financial statements.

Village of Crown City, Ohio
Gallia County
Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2016

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$134,709</u>
<i>Total Operating Cash Receipts</i>	<u>134,709</u>
Operating Cash Disbursements	
Personal Services	4,449
Contractual Services	46,190
Supplies and Materials	<u>7,658</u>
<i>Total Operating Cash Disbursements</i>	<u>58,297</u>
<i>Operating Income (Loss)</i>	<u>76,412</u>
Non-Operating Receipts (Disbursements)	
Principal Retirement	<u>(33,710)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(33,710)</u>
<i>Net Change in Fund Cash Balances</i>	42,702
<i>Fund Cash Balances, January 1</i>	<u>67,928</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$110,630</u></u>

See accompanying notes to the basic financial statements.

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Crown City, Gallia County (the Village), 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 sewer utilities, park operations, street maintenance, police and fire protection and general maintenance. The Village contracts with the Gallia County Sheriff's department to provide security of persons and property.

Public Entity Risk Pool

The Village participates in the Ohio Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. 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 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 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.

Fire Levy Fund The fire levy fund receives tax monies assessed and levied on general assessed valuation of real and personal tax and donations for the operation of the fire department.

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 Fund:

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - 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	\$52,429	\$68,174	\$15,745
Special Revenue	33,521	43,577	10,056
Enterprise	120,002	134,709	14,707
Total	\$205,952	\$246,460	\$40,508

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,686	\$62,156	\$24,530
Special Revenue	98,983	44,083	54,900
Enterprise	187,928	92,007	95,921
Total	\$373,597	\$198,246	\$175,351

Note 4 – 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	\$207,993
Certificates of deposit	7,867
Total deposits and investments	\$215,860

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Taxes (Continued)

Property Taxes (Continued)

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

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

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Some 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

One 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 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, 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.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Acquisition Bond	\$13,939	4%
Ohio Public Works Commission Loan	\$232,200	0%
Ohio Water Development Authority Loan	<u>\$1,029,368</u>	0%
Total	<u><u>\$1,275,507</u></u>	

The Building Acquisition Bond relates to the building purchased for the Fire Department. A bond agreement was signed with Ohio Valley Bank for \$100,000 at 4% interest due in annual installments for twenty years. The first payment was made November 1, 1999. The Building Acquisition Bond is collateralized by the Village's taxing authority.

Village of Crown City, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (Continued)

The Ohio Public Works Commission (OPWC) loan relates to a sewer system project the Ohio Environment Protection Agency mandated. The OPWC approved up to \$258,000 in loans to the village for this project. The Village will repay the loan in semi-annual installments of \$4300 over 30 years. The scheduled payments amount below assumes that \$258,000 will be borrowed. The OPWC will adjust scheduled payments to reflect any revisions in the amount the Village actually borrows. Sewer use receipts will collateralize the loan. The Village has agreed to set sewer use rates to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to a complete sewer plant project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,176,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$29,410, including interest, over 20 years. The scheduled payment amount below assumes that \$1,176,000 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer use receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization

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

Year Ending December 31:	Ohio Public Works Loan	OWDA Loan	Building Acquisition Bond
2017	\$8,600	\$29,411	\$7,396
2018	8,600	58,821	7,396
2019	8,600	58,821	
2020	8,600	58,821	
2021	8,600	58,821	
2022-2026	43,000	294,105	
2027-2031	43,000	249,105	
2032-2036	43,000	221,463	
2037-2041	43,000		
2042-2043	17,200		
Total	\$232,200	\$1,029,368	\$14,792

Note 10 – 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. However, based on prior experience, management believes any refunds would be immaterial.

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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 Crown City
Gallia County
207 Spring Valley Drive
Crown City, Ohio 45623

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 Crown City, Gallia County, Ohio (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 November 19, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 opinion 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 2017-002 and 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2017-001.

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

November 19, 2018

**VILLAGE OF CROWN CITY
GALLIA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides, in part, that a subdivision or taxing authority shall not make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrants shall be issued in payment of any amount due thereon. There are several exceptions to the standard requirement states above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blank certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village had unrecorded encumbrances of \$6,302 and \$3,000 at December 31, 2017 and 2016, respectively in various funds. Also, sixty-seven and sixty percent of the transactions tested for December 31, 2017 and 2016, respectively, were not certified by the Fiscal Officer at the time the commitment was incurred. In addition, there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative fund balances.

Furthermore, the Village used "blanket" certificates in which Village Council did not have a resolution adopted to establish a maximum amount.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2017-001 (Continued)

Noncompliance- Ohio Rev. Code § 5705.41(D)(1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used

The Village officials should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to the purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. In addition, Village Council should adopt a resolution to establish a maximum amount for "blanket" certificates.

Official's Response: The most violations for finding number 2017-001 occurred when an officer of the Village of Crown City Volunteer Fire Department failed to request a PO many times before the purchase. The Village made many attempts to correct this problem. He is no longer with the fire department.

FINDING NUMBER 2017-002

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Entity and the appropriation ledger provides the process by which the Entity controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Entity and the receipts ledger provides the process by which the Entity controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

At December 31, 2017, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

Fund	Approved	UAN System	Variance
General Fund	\$56,400	\$59,942	\$3,542
Street Construction, Maintenance and Repair	8,000	15,800	7,800
State Highway	800	1,700	900
Fire	8,482	27,228	18,746

At December 31, 2016, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

Fund	Approved	UAN System	Variance
General Fund	\$54,429	\$72,899	\$18,470
Street Construction, Maintenance and Repair	25,000	21,250	(3,750)
Fire	4,771	10,771	6,000
Sewer Operating	120,002	160,000	39,998

At December 31, 2017, appropriations as approved by the Village Council did not agree to the Village's accounting system. The variances were as follows:

Fund	Approved	UAN System	Variance
General Fund	\$95,173	\$87,495	(\$7,678)
Street Construction, Maintenance and Repair	38,305	37,700	(605)
State Highway	2,565	2,700	135
Cemetery	9,726	4,500	(5,226)
Parks and Recreation	14,764	6,000	(8,764)
Fire	20,891	29,876	8,985
Sewer Operating	235,532	217,510	(18,022)

At December 31, 2016, appropriations as approved by the Village Council did not agree to the Village's accounting system. The variances were as follows:

Fund	Approved	UAN System	Variance
General Fund	\$86,686	\$77,105	(\$9,581)
Street Construction, Maintenance and Repair	61,014	44,700	(16,314)
Cemetery	9,038	4,000	(5,038)
Parks and Recreation	15,036	6,000	(9,036)
Fire	12,197	8,823	(3,374)
Sewer Operating	187,928	131,620	(56,308)

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not properly posted to the accounting system.

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Official's Response: The Village didn't realize every penny of the appropriations must be posted in UAN if there were no plans to spend all of the appropriations.

FINDING NUMBER 2017-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were noted in the financial statements that required audit adjustments or reclassifications:

For the year ended December 31, 2016:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village improperly reported the assigned portion of the General Funds' cash fund balance as unassigned, in the amount of \$34,925;
- Intergovernmental receipts of \$1,717 were incorrectly posted in the State Highway Fund instead of the Street Construction, Maintenance, and Repair Fund;
- Fire Fund Intergovernmental receipts of \$734 were incorrectly posted in the General Fund as Taxes receipts;
- General Fund principal payment disbursements of \$6,563 were incorrectly posted as interest payment disbursements;
- Sewer Fund charges for services receipts of \$134,709 were incorrectly posted as special assessments;
- Sewer Fund contractual service disbursements of \$22,402 were incorrectly posted as personal service disbursements;

**VILLAGE OF CROWN CITY
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2017-003 (Continued)

Material Weakness (Continued)

For the year ended December 31, 2017:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village improperly reported the assigned portion of the General Funds' cash fund balance as unassigned, in the amount of \$28,878;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Council, which could not be changed without Council approval, as committed. The Village reported the Parts and Recreation Fund balance as restricted instead of committed, in the amount of \$15,051;
- Taxes receipts of \$1,161 were incorrectly posted in the Fire Fund instead of the General Fund ;
- Street Construction, Maintenance, and Repair Fund intergovernmental receipts of \$3,681 were incorrectly posted as taxes;
- Intergovernmental receipts of \$398 were incorrectly posted in the State Highway Fund instead of the Street Construction, Maintenance, and Repair Fund;
- Intergovernmental receipts of \$951 were incorrectly posted in the Street Construction, Maintenance, and Repair Fund in the amount of \$880 and the State Highway Fund in the amount of \$71 instead of \$227 in the General Fund and \$724 in the Fire Fund;
- General Fund principal payment disbursements of \$1,831 were incorrectly posted as interest payment disbursements;
- Sewer Fund charges for services receipts of \$133,415 were incorrectly classified as special assessments;
- Sewer Fund contractual service disbursements of \$16,118 were incorrectly classified as personal service disbursements;

The Fiscal Officer should review the Village Handbook for guidance to ensure the financial statements are complete and accurate. The Fiscal Officer should also review Auditor of State Bulletin 2011-004 for Statement No. 54 of the Governmental Accounting Standards Board (GASB) for proper reporting of fund balances on the financial statements [see GASB Cod. 1800.165].

Official's Response: The Village plans to work diligently to correct finding number 2017-003 issues in the future.

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Village of Crown City

P.O. Box 316
Crown City, Ohio 45623
Phone & Fax (740) 256-1030

Mayor Daryl Hager
Clerk Paul Dillon

Council Members
Kathy Johnson Steve Fulks
Dennis Ripley, Ron Mattox
Bonnie Montgomery, Christina Davis

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 5705.40 – Board approved appropriations did not agree to the accounting system.	Not Corrected.	Will post every penny of approved appropriations to the accounting system in the future.
2015-002	Ohio Rev. Code § 5705.41(D) – Certification of availability of funds prior to commitment	Not Corrected.	Had a fire department member who refuses to request a P.O. before purchases.
2015-003	Material Weakness – Approved estimated receipts did not agree to accounting system	Not Corrected.	This will be corrected in the future.
2015-004	Material Weakness – Errors in posting of receipts and disbursements	Partially Corrected.	Some fixed; will double check posting of receipts in the future.

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VILLAGE OF CROWN CITY

GALLIA 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
DECEMBER 4, 2018**