



Dave Yost • Auditor of State

VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Wintersville
Jefferson County
200 Gove Street
Wintersville, Ohio 43952

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 Wintersville, Jefferson County, Ohio (the Village) as of and for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Wintersville, Jefferson County as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 10, 2018

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$182,604	\$175,048		\$357,652
Municipal Income Tax	1,168,171			1,168,171
Intergovernmental	54,824	199,060	\$179,717	433,601
Special Assessments		9,732		9,732
Charges for Services	66,350	6,476		72,826
Fines, Licenses and Permits	92,574	6,373		98,947
Earnings on Investments	2,557	361		2,918
Miscellaneous	31,954			31,954
<i>Total Cash Receipts</i>	<u>1,599,034</u>	<u>397,050</u>	<u>179,717</u>	<u>2,175,801</u>
Cash Disbursements				
Current:				
Security of Persons and Property	582,672	237,907		820,579
Public Health Services	14,365			14,365
Leisure Time Activities	14,712			14,712
Community Environment	948			948
Transportation	481,345	100,287		581,632
General Government	403,673	239		403,912
Capital Outlay			179,717	179,717
Debt Service:				
Principal Retirement		20,001		20,001
Interest and Fiscal Charges		345		345
<i>Total Cash Disbursements</i>	<u>1,497,715</u>	<u>358,779</u>	<u>179,717</u>	<u>2,036,211</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>101,319</u>	<u>38,271</u>	<u>0</u>	<u>139,590</u>
Other Financing Receipts (Disbursements)				
Transfers In		51,687		51,687
Transfers Out	(51,687)			(51,687)
Advances In	26,680	26,680		53,360
Advances Out	(26,680)	(26,680)		(53,360)
Other Financing Sources		425		425
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(51,687)</u>	<u>52,112</u>	<u>0</u>	<u>425</u>
<i>Net Change in Fund Cash Balances</i>	49,632	90,383	0	140,015
<i>Fund Cash Balances, January 1</i>	<u>298,496</u>	<u>183,056</u>		<u>481,552</u>
Fund Cash Balances, December 31				
Restricted	0	273,439	0	273,439
Unassigned (Deficit)	348,128	0	0	348,128
<i>Fund Cash Balances, December 31</i>	<u>\$348,128</u>	<u>\$273,439</u>	<u>\$0</u>	<u>\$621,567</u>

See accompanying notes to the financial statements

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$2,392,513		\$2,392,513
Fines, Licenses and Permits		\$111,760	111,760
<i>Total Operating Cash Receipts</i>	<u>2,392,513</u>	<u>111,760</u>	<u>2,504,273</u>
Operating Cash Disbursements			
Personal Services	431,020		431,020
Employee Fringe Benefits	207,643		207,643
Contractual Services	880,831		880,831
Supplies and Materials	216,607		216,607
Other	65	111,743	111,808
<i>Total Operating Cash Disbursements</i>	<u>1,736,166</u>	<u>111,743</u>	<u>1,847,909</u>
<i>Operating Income (Loss)</i>	<u>656,347</u>	<u>17</u>	<u>656,364</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	101,136		101,136
Other Debt Proceeds	335,066		335,066
Miscellaneous Receipts	10,063		10,063
Capital Outlay	(587,031)		(587,031)
Principal Retirement	(365,583)		(365,583)
Interest and Other Fiscal Charges	(45,579)		(45,579)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(551,928)</u>	<u>0</u>	<u>(551,928)</u>
<i>Net Change in Fund Cash Balances</i>	104,419	17	104,436
<i>Fund Cash Balances, January 1</i>	<u>1,364,788</u>	<u>1,671</u>	<u>1,366,459</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,469,207</u>	<u>\$1,688</u>	<u>\$1,470,895</u>

See accompanying notes to the financial statements

Village of Wintersville, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Wintersville, Jefferson 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. The Village is directed by a six-member council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie. Robert Martin serves as the President of Council.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Wintersville provides the following services to its citizens: police protection, park operations, building inspection, street maintenance and repairs, water, sewer and refuse collection. The Village contracts with the Wintersville Volunteer Fire Department to provide fire protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

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

General 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.

Village of Wintersville, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

Old Police Levy The old police levy (1978) was authorized by voters on 11/8/1983 for not exceed continuous years. The maximum rate authorized to be levied is 2.00. This police levy fund supports police salaries, building and equipment repairs.

Police Fund The police fund levy authorized by voters on 5/8/2007 for not to exceed continuous years. The maximum rate authorized to be levied is 1.00. This fund supports OP&F, travel and training and capital equipment.

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

OPWC Phase IV These funds are for WWTP sewer improvements. Project No. CT59T is the grant portion and fund CN28T is the loan portion at 0%.

Luray Drive, Et Al This fund is a paving fund. Project No. CN24U was a grant.

Issue II This fund is used to account for Issue II projects awarded through the State of Ohio.

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Village of Wintersville, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Sanitation Fund The sanitation fund accounts for the provision of refuse services to the residents and commercial users within the Village.

OWDA Phase V The OWDA Phase V fund accounts for activity relating water pollution control loan monies to be used for sewer improvements.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are available to support the Village's own programs.

Agency Fund The agency fund accounts for the Magistrate Court's fines, bonds and waivers.

Basis of Accounting

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

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

Budgetary Process

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

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

Village of Wintersville, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Encumbrances The Ohio revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not encumber all commitments required by Ohio Law.

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.

Money market mutual funds are recorded at share values the mutual funds report.

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

Accumulated Leave In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave up to 240 hours. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The classifications are as follows:

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

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

Village of Wintersville, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 Amounts in the assigned fund balance classification are intended to be used by the Village of specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

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	\$1,768,600	\$1,625,714	(\$142,886)
Special Revenue	1,266,875	475,842	(791,033)
Capital Projects	158,020	179,717	21,697
Enterprise	4,531,056	2,838,778	(1,692,278)
Fiduciary	115,400	111,760	(3,640)
Total	\$7,839,951	\$5,231,811	(\$2,608,140)

Village of Wintersville, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,666,800	\$1,576,082	\$90,718
Special Revenue	1,292,875	385,459	907,416
Capital Projects	158,020	179,717	(21,697)
Enterprise	4,541,056	2,734,359	1,806,697
Fiduciary	95,400	111,743	(16,343)
Total	9,459,430.00	\$9,599,820	\$2,766,791

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$1,742,265
Certificates of deposit	250,000
Other time deposits (savings and NOW accounts)	100,197
Total deposits	2,092,462

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

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.

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

Village of Wintersville, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Income Taxes

The Village levies a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to R.I.T.A. either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate of \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

The Village's full-time police officers belong to the Police and Fire Pension Fund. Other employees belong to the Ohio Public Employees Retirement System. OP&F and OPERS are cost sharing, multiple employer plans. The Ohio Revised Code prescribes these plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017 OP&F participants contributed 12.25% of their wages and the Village contributed to OF&P an amount equal to 19.5% of full-time police members' wages. For 2017 OPERS members contributed 10% of their gross salaries and the Village contributed an equaling 14% of the participants' gross salaries. The Village has paid all contributions required through December 31 2017.

Village of Wintersville, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined 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, 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 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan CT32J	\$50,000	0.00%
Ohio Public Works Commission Loan CN40M	\$27,306	0.00%
Ohio Public Works Commission Loan CT46O	\$400,000	0.00%
Ohio Public Works Commission Loan CT71P	\$264,784	0.00%
Ohio Water Development Authority Loan 6281	\$1,837,105	1.00%
Ohio Water Development Authority Loan 6554	\$36,169	1.00%
Ohio Water Development Authority Loan 6774	\$1,975,213	1.00%
Ohio Water Development Authority Loan 7434	\$348,809	1.00%
Ohio Water Development Authority Loan 7787	\$3,507	1.00%
Total	<u>\$4,942,893</u>	

Ohio Public Works Commission (OPWC) Loan CT32J was used to finance a road paving and reconstruction project. The loan is collateralized by the Village’s taxing authority

Ohio Public Works Commission (OPWC) Loan NC40M was used to finance a Water Tank Refurbishment Project. The loan is collateralized by the Village’s taxing authority.

Ohio Public Works Commission (OPWC) Loan CT71P is being used to finance phase II of the EPA mandated improvements to the Villages Wastewater Treatment Plant for pump station improvements. The first scheduled payment on this issue is July 1, 2017. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village continues to receive loan proceeds on this loan. No amortization schedule is available at this time.

Village of Wintersville, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Ohio Public Works Commission (OPWC) Loan CT460 and Ohio Water Development Authority (OWDA) Loan 6281 were used to finance upgrades to the Villages Wastewater Treatment Plant that were mandated by the EPA. This is a multi-phase project. This was phase I of the plant upgrades. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Ohio Water Development Authority (OWDA) Loan 6554 was used for the planning of phase III of the EPA mandated upgrades to the Village's Wastewater Treatment Plant. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village is still receiving loan proceeds in 2017.

Ohio Water Development Authority (OWDA) Loan 6774 is being used for phase II of the EPA mandated improvement to the Village's Wastewater Treatment plant for pump station improvements. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority (OWDA) Loan 7434 is being used for phase V of the EPA mandated improvement to the Village's Wastewater Treatment plant for pump station improvements. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village is still receiving loan proceeds in 2017.

Ohio Water Development Authority (OWDA) Loan 7787 is being used for phase IV of the EPA mandated improvement to the Village's Wastewater Treatment plant for pump station improvements. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village is still receiving loan proceeds in 2017.

Village of Wintersville, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Amortization

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

Year ending December 31:	<u>OWDA 7787</u>	<u>OPWC CT32J</u>	<u>OPWC CN40M</u>	<u>OPWC CT460</u>
2018		5,000	2,184	25,000
2019	38,347	5,000	2,184	25,000
2020	38,347	5,000	2,184	25,000
2021	38,347	5,000	2,184	25,000
2022	38,347	5,000	2,184	25,000
2023-2027	191,735	25,000	10,923	125,000
2028-2032	191,735		5,463	125,000
2033-2037	191,735			25,000
2038-2042	38,347			
Total	<u>\$766,940</u>	<u>\$50,000</u>	<u>\$27,306</u>	<u>\$400,000</u>

Year ending December 31:	<u>OWDA 6774</u>	<u>OWDA 6281</u>	<u>OWDA 6554</u>	<u>OWDA 7434</u>
2018	126,630	124,536	75,536	43,164
2019	126,630	124,536	37,768	43,164
2020	126,630	124,536		43,164
2021	126,630	124,536		43,164
2022	126,630	124,536		43,164
2023-2027	633,150	622,680		215,820
2028-2032	633,150	622,680		
2033-2037	260,908	124,536		
Total	<u>\$2,160,358</u>	<u>\$1,992,576</u>	<u>\$113,304</u>	<u>\$431,640</u>



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 Wintersville
Jefferson County
200 Gove Street
Wintersville, Ohio 43952

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 Wintersville, Jefferson County, (the Village) as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated December 10, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2017-001 through 2017-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-004 described in the accompanying schedule of findings to be a significant deficiency.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 10, 2018

VILLAGE OF WINTERSVILLE
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

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

FINDING NUMBER 2017-001

Material Weakness – Magistrate’s Court Cycle

Sound accounting practices over the Magistrate Court cycle include establishing internal control procedures to ensure proper recording of court transactions. In addition, personnel should be adequately trained to perform duties regarding the recording of court activities and monthly monitoring of financial activity should be completed to ensure completeness and accuracy.

The Village lacked internal control policies and procedures for collecting, recording, and distributing Magistrate Court revenues. Specific weaknesses identified in the current system are:

- Monthly reconciliations are not prepared;
- Credit card fees are not always reported and recorded in the accounting system;
- Bank adjustments were not always recorded in the accounting system; and
- Amounts per the Court records did not agree to the amounts recorded in the Village records.

The risk of not addressing these weaknesses increases the risk of theft and/or fraud of Village assets and that Magistrate Court receipts and disbursements are not properly recorded, distributed, and reported.

Specific policies and procedures for the Magistrate Court activity should be established, approved by Council, and made available to employees. The policies and procedures should include but not limited to:

- Accurate monthly bank reconciliations should be prepared and reviewed by a supervisor;
- All collections, fees, and disbursements should be reported to the Village Fiscal Officer for accurate recording on the Village ledgers; and
- The Magistrate Court Clerk should attend annual training for court clerks to ensure an understanding of records required to document court financial activity.

Establishing and implementing internal control policies and procedures for the Magistrate Court activity may help ensure the Village is collecting the revenue that is due and distributing and reporting the collections accurately.

FINDING NUMBER 2017-002

Material Weakness – Budgetary Measures

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

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

The following variances were identified:

Fund	Appropriations Per Resolutions	Appropriations Per Accounting System	Variance	Percent of Variance
General	\$1,666,800	\$1,977,534	\$310,734	19%
Special Revenue:				
Street	213,000	258,058	45,058	21
Police Levy	128,404	205,240	76,836	60
Proprietary:				
Water Operating	938,700	1,153,920	215,220	23
Sewer Operating	1,385,200	1,967,078	581,878	42
Sanitation Operating	526,900	577,639	50,739	10

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.

Failure to accurately post the appropriations to the ledgers could result in overspending and negative cash balances. This also resulted in the Village reporting inaccurate budgetary information in the filed financial statements.

To effectively control the budgetary cycle and to maintain accountability over expenditures, the Fiscal Officer should post to the ledgers, on a timely basis, appropriations approved by the Council. The Council should then monitor budget versus actual reports to help ensure appropriations have been properly posted to the ledgers.

FINDING NUMBER 2017-003

Material Weakness – Accurate Posting of Transactions

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 Fiscal Officer did not abide by the adopted chart of account in coding and classifying various transactions. This resulted in adjustments and reclassifications to the financial statements. The Village Fiscal Officer and management have agreed to and posted the adjustments to the Village's accounting records. The corrected amounts are reflected in the accompanying financial statements.

Adjustments:

Fund Adjusted from:	Fund Adjusted to:	Amount	Explanation:
State Truck Grant Special Revenue	Issue II Capital Projects	\$100,944	To adjust for Issue II revenues and disbursements posted to the wrong fund.
Sewer Operating Enterprise	Issue II Capital Projects	57,476	To adjust for Issue II revenues and disbursements posted to the wrong fund.
	Issue II Capital Projects	21,297	To adjust for Issue II revenues and disbursements not posted to the accounting system.
Street Construction, Maintenance and Repair Special Revenue	Permissive Motor Vehicle License Tax Special Revenue	1,395	To adjust for prior year permissive motor vehicle license tax receipt that was misposted.
Permissive Motor Vehicle License Tax Special Revenue	Street Construction, Maintenance and Repair Special Revenue	10,696 and 906	To adjust for prior year receipts misposted.
Enforcement and Education Special Revenue	General	2,625	To adjust for prior year Magistrate's Courts receipts misposted

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

Fund Adjusted from:	Fund Adjusted to:	Amount	Explanation:
	General	40	To adjust miscellaneous revenue on the financial statements to adjust bank and book balances to agree.
	Mayor's Court Agency	244, 261 and 17	To adjust receipts, expenses and ending fund balance for activity not on the books and to adjust bank and book balances to agree.
Road R&I Enterprise	Sewer Operating and OPWC Phase 4 Enterprise	36,262 and 6,787	To adjust charges for services and intergovernmental revenue for mispostings in the prior audit which are material to the individual ending fund balance in 2017.

Reclassification:

Fund	Reclassified To:	Amount	Reclassified From:
OWDA Phase V Enterprise	Other Debt Proceeds and Capital Outlay Expense	\$335,066	Intergovernmental Revenue and Contractual Services Expense

The adjustment in the Road R&I Enterprise Fund led to a negative cash fund balance of \$1,426 as of December 31, 2017. Other mispostings were identified, however were not material and the Village decided not to make the adjustments.

Adjustments to the Financial Statement Notes which were reflected:

- The total demand deposits within the Equity in Pooled Deposits and Investments Note was not presented;
- The Budgetary Activity Note did not include the comparison tables and figures;
- The Debt Note did not report ending principal balances for each loan and the amortization table was not included. In addition, a description of each debt was not included; and
- The Post-Employment Benefits Note was omitted.

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

The Village did not have procedures in place to record transactions properly.

Failure to consistently follow a uniform chart of accounts increases the possibility the Village will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported. In addition, the Village should review the financial statements and notes prior to report submission.

FINDING NUMBER 2017-004

Significant Deficiency – Cash Reconciliation Process Errors

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

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

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

The Fiscal Officer did not prepare accurate monthly bank reconciliations as evidenced by inaccurate reconciling items presented at year end. After determining what the accurate reconciling items were, it was determined the book and bank balances did not reconcile.

The following audit adjustment was necessary to reconcile the accounting records to the confirmed bank balances. The Fiscal Officer has agreed to and posted the adjustment which is reflected in the accompanying financial statements:

Fund Name	Account Type	Amount	Description
General	Miscellaneous receipts	\$57	Unidentified posting errors.

Failure to reconcile monthly increases the possibility the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

**FINDING NUMBER 2017-004
(Continued)**

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

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

Village of Wintersville
Office of the Administrator
Municipal Complex, 200 Grove Street
Wintersville, Ohio 43953

Phone : (740) 266-3175

Fax: (740) 266-3176

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding for Recovery- Mayor's Court	Fully Corrected	
2016-002	Posting of Receipts and Expenditures	No	Re-Issued as Finding 2017-003
2016-003	Significant Deficiency- Cash Reconciliation	No	Re-Issued as Finding 2017-004
2016-004	Material Weakness- Magistrate Court Cycle	No	Re-Issued as Finding 2017-001

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Dave Yost • Auditor of State

VILLAGE OF WINTERSVILLE

JEFFERSON 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 27, 2018**